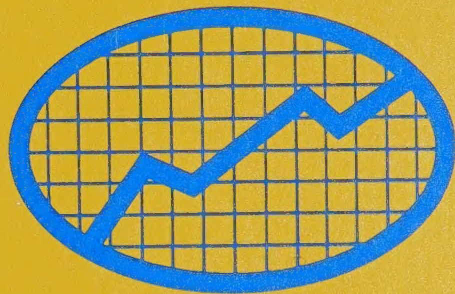
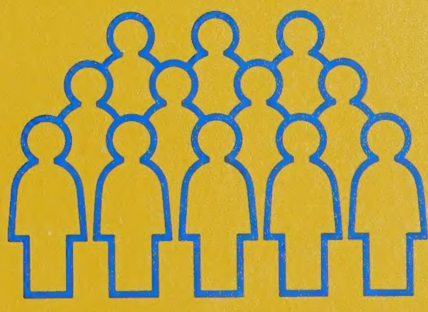
Beneficial
through its subsidiaries
provides a broad range of
financial services and
consumer products



Beneficial's
growth has been
particularly impressive
over the
last decade



Beneficial
helps satisfy
consumer needs
today
and tomorrow

Beneficial Corporation / Annual Report 1972

Annual Meeting

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Monday, April 30, 1973 at 11 a.m. Eastern Daylight Time at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

Beneficial Corporation

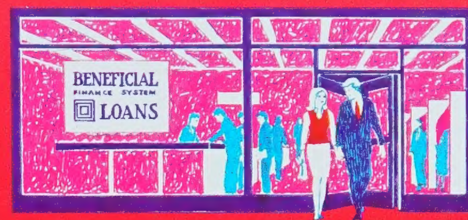
Beneficial Building
Wilmington, Delaware 19899

Beneficial Corporation, a Delaware corporation, is a holding company. Its subsidiaries are divided into two operating categories, a Finance Division and a Merchandising Division.

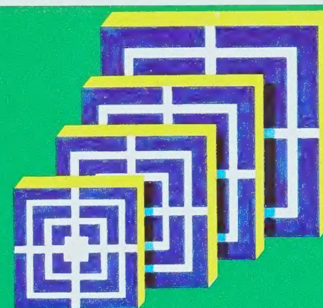
The Finance Division consists principally of the loan and finance subsidiaries comprising the Beneficial Finance System, which engages in the consumer loan and sales finance business in the United States, Canada, England, and Australia. The other subsidiaries in the Finance Division are engaged in insurance, primarily credit life and credit accident and health, the operation of a commercial bank, and real estate holding.

The Merchandising Division is made up of wholly-owned subsidiaries, Western Auto Supply Company and Spiegel, Inc., and their subsidiaries. Western Auto carries on a nationwide business, selling a variety of merchandise, principally durable goods, at retail in its own stores and at wholesale to independently owned and operated associate stores. Spiegel, Inc. is engaged in the sale through catalogs of merchandise, primarily soft goods, by mail and through order stores.

Report to the Shareholders of Beneficial Corporation for the year 1972



Beneficial through its subsidiaries provides a broad range of financial services and consumer products



Beneficial's growth has been particularly impressive over the last decade

Beneficial helps satisfy consumer needs today and tomorrow

Contents

As consumer needs grow, Beneficial grows.

Beneficial Corporation 1972 Annual Report

Highlights

During the Year	1972	1971	% Increase (Decrease)
Net Income	**$ 82,812,000**	$ 71,713,000	15.5
Dividend Requirements on Preferred Stocks	**$ 10,120,000**	$ 10,346,000	(2.2)
Earnings Available for Common Stock	**$ 72,692,000**	$ 61,367,000	18.5
Number of Common Shares Outstanding (average)*	**18,413,000**	18,143,000	1.5
Earnings per Common Share (primary)*	**$3.95**	$3.38	16.9
Dividends Paid per Common Share*	**$1.10**	$1.06⅔	3.1
Loans Made and Contracts Purchased—Beneficial Finance System			
Amount**	**$1,632,869,000**	$1,461,770,000	11.7
Number	**2,150,000**	1,940,000	10.8
Average Amount of Transaction	**$759**	$753	0.8
Net Sales and Other Revenue—Western Auto	**$ 566,579,000**	$ 498,942,000	13.6
Net Sales and Other Revenue—Spiegel	**$ 421,352,000**	$ 387,036,000	8.9

At Year End	1972	1971	% Increase (Decrease)
Beneficial Finance System			
Notes and Accounts Receivable**	**$1,579,689,000**	$1,441,331,000	9.6
Number of Accounts	**2,223,000**	2,105,000	5.6
Average Account Balance**	**$711**	$685	3.8
Number of Offices	**1,814**	1,786	1.6
Number of Company-owned Stores—Western Auto	**529**	512	3.3
Number of Associate Stores—Western Auto	**4,101**	3,912	4.8
Number of Catalog Order Stores—Spiegel	**294**	279	5.4
Number of Employees	**33,100**	32,200	2.8
Number of Holders of Common Stock	**29,300**	29,400	(0.3)

**Adjusted for 3-for-2 Common Stock split effective January 31, 1972.*

***After deducting unearned charges.*

To Our Shareholders

Beneficial's consolidated net income for 1972 reached a record high of $82.8 million, 15.5% above the preceding year's $71.7 million. Earnings per Common share (primary) for 1972 of $3.95 was 16.9% above the 1971 figure of $3.38.

The 1972 performance of the Company's two operating Divisions improved over 1971. The Finance Division, which includes insurance operations, had net income of $58.7 million, 16.3% ahead of that of 1971 and the highest ever recorded. The Merchandising Division, comprised of Western Auto Supply Company and Spiegel, Inc., had sales and other revenue of $988 million and net income of $24.1 million, which exceeded their 1971 results by 11.5% and 13.6%, respectively. The Finance Division contributed 70.8% of Beneficial's consolidated net income and the Merchandising Division contributed 29.2% as compared with 70.3% and 29.7% for 1971.

The loan and finance offices constituting the Beneficial Finance System are the predominant portion of the Finance Division. The System's net income of $46.8 million, the second best it ever experienced, was 6.8% lower than that of 1971 for the reasons set forth in the Loan and Finance Offices section of this report on Page 6. Both the volume of receivables put on the books during the year and receivables outstanding at year end were the greatest ever.

Western Auto enjoyed its best year in 1972. Its net income of $17.1 million represented an increase of 12.4% on sales and other revenue of $567 million. Spiegel's 1972 sales and other revenue of $421 million were the highest it ever recorded, exceeding those of the prior year by 8.9%. Its net income of $7.0 million was 16.6% above that of 1971.

The Board of Directors in its February 1973 meeting increased the cash quarterly dividend rate on the Common Stock, beginning with the dividend payable on March 31, 1973, from 27½¢ to 28¾¢ per share, which is an increase in the annual rate from $1.10 to $1.15.

If the United States intelligently handles its major economic problems, one of which is inflation, economists are in general agreement that the stable growth of 1972 will continue. In such case, consumer spending and the demand for consumer instalment credit is likely to continue to grow rapidly. The Finance and Merchandising Divisions are apt to be favored by the economic climate, but Management faces the challenge to increase the volume of business without an undue increase in over-all operating costs.

In Canada, where Beneficial has a substantial interest through the operation of 235 loan and finance offices by a subsidiary, the prospects for economic growth appear to be much the same as in the United States.

We appreciate greatly the excellent performance of our employees, and thank our shareholders for their continued confidence.

For the Board of Directors,

Edgar T. Higgins
Chairman of the Board

Cecil M. Benadom
President

March 2, 1973

Left: CECIL M. BENADOM Right: EDGAR T. HIGGINS

Consolidated Net Income

1972	$82,812,000
1971	71,713,000
1970	61,521,000
1969	58,454,000
1968	55,523,000
1967	50,506,000
1966	55,264,000
1965	54,088,000
1964	49,265,000
1963	44,884,000
1962	41,764,000

Earnings and Dividends

Record highs for net income and earnings per Common share (both primary and fully-diluted) were set in 1972, which becomes the fifth year in the present series of annual increases in both categories, despite the fact that the second half of 1972 as compared with the same period of 1971 did not keep pace with the excellent increase in the first half of 1972. Net income of $82.8 million for 1972 reflects an increase of 15.5% over the figure for 1971 of $71.7 million. Earnings per Common share (primary) of $3.95 for 1972 was $.57 (16.9%) above the 1971 figure of $3.38.

Net income of the Finance Division, comprised primarily of the Beneficial Finance System and its related credit insurance operation, increased 16.3% from the prior year as follows:

	Increase (Decrease) (in millions)	% Increase (Decrease)
Beneficial Finance System		
Operating Income	$19.1	6.0%
Operating Expenses	20.2	12.3
Net Operating Income	(1.1)	(.7)
Other Income	4.0	23.6
Total	2.9	1.7
Interest Expense	10.1	12.4
Income before Provision for Income Taxes	(7.2)	(8.2)
Provision for U.S. and Foreign Income Taxes	(3.8)	(9.9)
Net Income of Beneficial Finance System	(3.4)	(6.8)
Net Income of Insurance and Other Subsidiaries in Division	11.6	6,030.6
Net Income—Finance Division	$ 8.2	16.3

The cost of BENCOM, the on-line real-time communications and data processing network being installed in offices of the Beneficial Finance System, is being charged to expense. Such charges increased expense by approximately $3.1 million for 1972 and $2.0 million for 1971 (before offsetting tax reductions). The additional significant reasons for the moderate decrease in net income of the Beneficial Finance System are set out on Page 6.

The Merchandising Division in 1972 improved both its sales and other revenue and net income as follows:

	1972	1971	% Increase
Sales and Other Revenue			
Western Auto	$566.6	$498.9	13.6%
Spiegel	421.3	387.1	8.9
Total	$987.9	$886.0	11.5
Net Income			
Western Auto	$ 17.1	$ 15.3	12.4
Spiegel	7.0	6.0	16.6
Total	$ 24.1	$ 21.3	13.6

Both sales and other revenue and net income were record highs for the Merchandising Division. Western Auto Supply Company enjoyed a fine year. Sales and other revenue as well as net income are new highs for Western Auto. Sales and other revenue of Spiegel, Inc., in reaching $421 million, set a new record.

Net income of Beneficial Corporation for 1972, as compared with 1971, was achieved in the following manner:

	Amount (in millions)		Percent	
	1972	1971	1972	1971
Finance Division	$58.7	$50.4	70.8%	70.3%
Merchandising Division				
Western Auto	17.1	15.3	20.7	21.3
Spiegel	7.0	6.0	8.5	8.4
Total	24.1	21.3	29.2	29.7
Consolidated	$82.8	$71.7	100.0%	100.0%

Interest Expense, as noted in the first tabulation in this section, increased 12.4% in 1972 as compared with 1971, a unique year in that there was a substantial decline in interest expense despite higher borrowings, as follows:

	Amount (in millions)		Per Common Share After Federal Income Taxes	
	1972	1971	1972	1971
Increase due to increase in borrowings	$ 8.5	$ 4.6	$.24	$ .15
Increase (decrease) due to increase (decrease) in interest rates	1.6	(7.6)	.05	(.24)
Total increase (decrease)	$10.1	$(3.0)	$.29	$(.09)

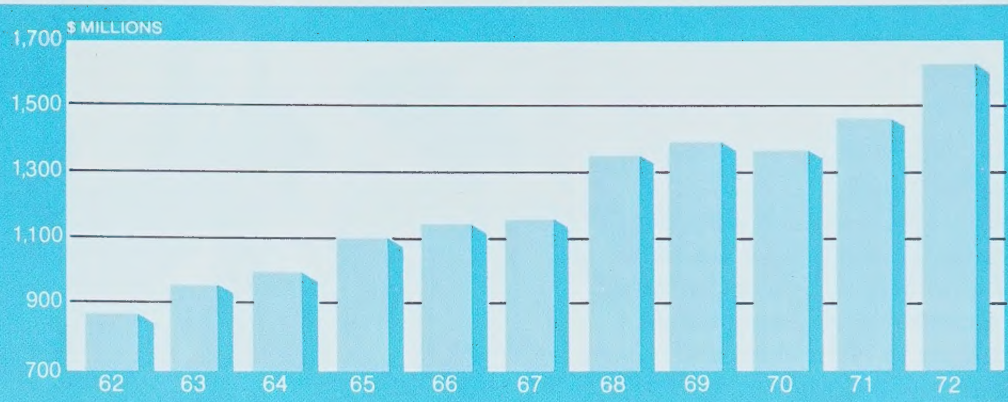
Interest expense of Beneficial Finance System for loan and finance office operations increased 11.4% ($7.5 million) for 1972 as compared with the prior year and decreased 5.7% ($4.0 million) in 1971 similarly compared. These figures are arrived at by deducting from total interest expense the interest on funds borrowed for the purpose of lending to non-consolidated subsidiary companies.

Beneficial and its finance and merchandise subsidiaries expect to file a consolidated Federal income tax return for 1972, which results in a lesser current cash outlay for taxes of approximately $22 million. The interest savings in future years on the lesser cash outlay will more than offset the additional cost of the consolidated return.

Dividends were paid in 1972 as due on the various Preferred Stocks and on Common Stock in the annual amount of $1.10 per share, representing an increase over 1971 of 3⅓¢ per share. The record of consecutive quarterly dividend payments on Common Stock now stands at 174.

Volume in Loan and Finance Offices

1972	$1,632,869,000
1971	1,461,770,000
1970	1,368,832,000
1969	1,402,672,000
1968	1,352,295,000
1967	1,162,047,000
1966	1,148,152,000
1965	1,105,807,000
1964	1,009,598,000
1963	960,726,000
1962	870,073,000



Financial

To finance the continually expanding business of the Company and subsidiaries, borrowings increased in 1972 by $132.8 million. Long-term debt sold during the year totaled $238.0 million of which $60.3 million was for refunding long-term debt. Short-term debt declined by $145.4 million. Average annual interest expense in 1972, giving effect to compensating cash balances required in connection with borrowings at banks, was at the rate of 6.2%, which compares to 6.1% for 1971. The increase in rate reflects a higher level of interest cost for long-term funds borrowed in 1972, the replacement of maturing issues sold years ago at much lower interest rates, and a somewhat higher proportion of long-term debt.

Long-term debt at December 31, 1972 was $1,273 million, of which $856 million (67.2%) of such debt was at rates more favorable than could be sold in today's money market. The Company continues its policy of financing its receivables primarily through long-term debt; such debt accounted for 83.0% of all debt at year end.

Long-term debt issued in 1972 was as follows:

		(in thousands)
7.45%	Debentures due February 1, 2000	$ 75,000
7½%	Debentures due July 15, 2002	75,000
6¾%	Debentures due July 15, 1979	25,000
7¼%	Notes due February 15, 1980	50,000
6%	Notes due March 29, 1977 (payable in Swiss Currency)	13,021
	Total	$238,021

The following long-term debt was paid in 1972:

	(in thousands)
Bank term loan, various dates in 1972	$ 21,875
3½% Debentures due June 1, 1972	30,000
8¼% - 7¼% Debentures due September 1, 1972 at option of holder	6,058
6¾% Note due July 1, 1972 (payable in Swiss Currency)	1,652
Other notes due serially	679
Total	$ 60,264

The average interest expense on short-term borrowings (giving effect to bank compensating balances) declined from a rate of 6.0% in 1971 to 5.7% in 1972. At year end 1972, short-term borrowings were $231.1 million, a decline of $44.5 million from 1971. Short-term borrowings on December 31, 1972 comprised 15.1% of total debt as against 19.7% for the prior year end. The Company and consolidated subsidiaries have bank lines of credit totaling $341 million to care for operating requirements and short-term borrowing coverage.

The bank prime rate, the interest banks charge their best customers, was most responsive to the money market and changed often during the year. The year began with a prime rate of 5¼%, dropped in January 1972 to 4½%, the lowest in twelve years, and closed the year generally at 5¾% with some banks at 6%. This is consistent with the trend predicted for a generally higher prime rate for 1973.

The Company expects to file a consolidated Federal income tax return for the year 1972. The multiple surtax exemption gradually is being eliminated through 1975. The point is now being reached where, when considering all factors, the filing of a consolidated Federal income tax return is preferable from the Company's viewpoint. See Note 12 on Page 21.

Phase III of President Nixon's Economic Stabilization Program modified but did not eliminate controls. The modifications as currently promulgated will not materially affect Beneficial in the ensuing fiscal year. During 1973 the Merchandising Division should continue to be able to adjust, where appropriate, prices to reflect cost increases.

Commercial Paper Rating	
NCO/Moody's	Prime-1
Standard & Poor's	A-1
Bond Rating	
Fitch's	AA
Standard & Poor's	AA

Beneficial loans serve many beneficial purposes. Important among them are bill consolidation, outfitting the family, medical and other emergencies, vacations to remember, and valuable home improvements.

Loan and Finance Offices

The Beneficial Finance System, constituting the predominant portion of assets employed in and net income realized from Finance Division operations, consists of subsidiaries engaged in the business of making consumer loans to individuals, purchasing instalment sales contracts evidencing time sales of merchandise or services, and related activities.

Although the Finance Division enjoyed its best year ever, with a 16.3% increase in net income ($58.7 million in 1972 as compared to $50.4 million in 1971), the Beneficial Finance System net income of $46.8 million, its second highest ever, was 6.8% lower than 1971's net income of $50.2 million, primarily because insurance income allocated to the System from two wholly-owned subsidiaries decreased due principally to a revision in the method of allocation. The cost of doing business during 1972 escalated by approximately $30.3 million over that of 1971, reflecting generally increased costs and in particular the considerably increased costs of salaries and business-getting expenses. In 1972, the first year when the Beneficial data processing network (BENCOM) was installed in a significant number of offices, the expense of the computer network was charged against current income in an amount equal to 9¢ per Common share after taxes as compared to 7¢ in 1971. Management, keenly aware of these increasing costs, will continue to emphasize expense control.

The volume of the loan and finance business in 1972 was the best the System has experienced, an 11.7% increase, as indicated by the chart on the preceding page. This represents approximately 210,000 more transactions (loans made and contracts purchased) than in 1971, an increase of 10.8%. Receivables at year end (after deducting unearned charges) increased by $139 million (9.6%), from $1,441 million to $1,580 million. Collection activity continued to be satisfactory during the year. The percentage of monthly cash principal collections on average net receivables increased from 4.68% to 4.77%. The amount of cash principal collections by the System was $847 million in 1972 as compared with $768 million in the preceding year.

During the year 1972 there was a net increase of 28 loan and finance offices in the System, so that at year end 1,814 offices were doing business. A total of 44 new offices was opened in new market areas and 16 unprofitable ones were closed, their assets generally being sold to neighboring offices in the System and in a few instances to outside interests. In 1971 there was a net increase of 14 offices. The System is wide-spread, having 1,505 offices in the United States, 5 in Puerto Rico, 235 in Canada, 52 in Australia, and 17 in England.

The principal segment of business of the System, approximately 94%, results from the making of loans pursuant to consumer finance laws, which includes "small loan laws," and related statutes authorizing larger loans. At the end of 1972 such loan receivables for the entire System (after deducting unearned charges) were $1,477 million, representing an increase of $110 million over the preceding year. In keeping with consumer needs for larger loans, the average size loan made and its scheduled maturity increased from $872 to $900 and from 32.2 months to 33.6 months, respectively.

Although the sales finance business constitutes only 6% of the System's business, it is important not only for its direct contribution to income, but also as an introduction to potential loan customers. During 1972 the loan and finance offices purchased 516,000 sales finance contracts for a total of $161 million. At year end, sales finance

receivables (less unearned charges) were $103 million. The number of sales finance contracts purchased during the year was 28.0% over the preceding year while the dollar amount of the purchases was 34.2% higher. The average size of sales finance contracts was $312 as compared to 1971's $298.

At the end of 1972 Beneficial was serving 118,000 more customers than a year earlier—63,000 as to loans and 55,000 for sales finance.

The Beneficial Income Tax Service, introduced in 1970, continued its expansion so that during the 1972 tax season computerized income tax preparation services were offered by 1,086 loan and finance offices in 43 states. A customer may borrow in anticipation of his tax refund or, conversely, to pay the tax due. The income tax service was also offered in Canada in 1972 in 165 offices in all provinces except Quebec. Tax returns were prepared for 130,000 United States and Canadian taxpayers, a 46% increase over the prior year.

The Full Service Financial Center Program, first tested in 1971, has been expanded to 100 loan and finance offices in three states, with more in prospect. Such centers serve the personal financial needs of customers for a wide range of financing, including second mortgage loans, sales contract financing for all types of consumer goods and services, a full line of home owners, tenants, and automobile insurance coverages, and preparation of income tax returns, as well as making available Travelers Cheques, money orders, notary public service, and aid in family budgeting.

The computerized accounting communications network for the loan and finance offices, known as BENCOM, is designed to provide immediate data through the computer center in Morristown, New Jersey. It handles various accounting and clerical services for the loan and finance offices, such as processing loans, payments, checks, inter-office communications, account credit information, and related matters. It makes possible faster and better customer service and enables employees to spend more time on business development activities. By the end of 1972, BENCOM was handling more than 100,000 customer transactions daily for the 600 loan and finance offices that were on line. Current projections call for all of the remaining United States offices, except Alaska, to be on line by the end of 1973.

Continued stress was placed on providing the quality and depth of personnel resources so necessary to the achievement of corporate objectives.

During 1972 consumer lending continued its great increase in all sections of the market so that at year end, the $36.9 billion of consumer loans owing to credit institutions in the United States was 12% higher than at the end of the preceding year. In the face of heavily increased competition, the System's share of that market decreased from 4.18% in 1971 to 4.05% in 1972. However, the System's dollars of loan receivables were greater than ever before, increasing during 1972 by $110 million.

The System is striving aggressively to increase its business through established channels, the implementation of market research and by employee incentive plans. Efforts will continue to be made to invest its funds in the more profitable segments of the loan and sales finance business. New offices will be opened in locations where justified by market surveys, and any existing offices which do not produce an adequate return on funds invested will be closed. On balance, the Beneficial Finance System looks for a good year in 1973.

Unearned Charges

Unearned Charges represent the amount (face amount of note in excess of cash advanced to the borrower) that will be reported as operating income as collections are received on the accounts, described in the Balance Sheet as Notes and Accounts Receivable. This unearned item may be referred to as the Company's potential future income in the sense that since the loan has been made, the transfer to income is dependent upon future monthly collections.

Most Beneficial loans are made on a method in which interest and other charges for the loan are included in the face amount of the note, giving rise to unearned charges when the loan is made. These unearned charges are taken into income in a manner which gives a result approximately the same as does the Rule of 78ths (a method which transfers unearned charges to earned income in a declining amount as the related loan is collected), giving effect to collections on the loans. None of the unearned charges on loans is taken into income immediately as an acquisition fee.

As to the loans made on a method not involving unearned charges, interest is computed and recorded as income as payments are received.

In connection with instalment sales contracts, 10% of the original unearned charges is taken into income, as an acquisition fee, immediately after the receivable is acquired, and the remaining 90% flows into income proportionately as the balance is liquidated.

At Year End	Net Receivables*: Total	Collectible on a Basis Involving Unearned Charges: %	Collectible on a Basis Involving Unearned Charges: Amount	Unearned Charges Relating Thereto	Unearned Charges as a Percent of Applicable Net Receivables
	(amounts in thousands)				
1972	$1,579,689	81.58%	$1,288,659	$356,641	27.68%
1971	1,441,331	81.11	1,169,103	313,847	26.85
1970	1,366,537	79.61	1,087,908	273,423	25.13
1969	1,267,075	79.15	1,002,918	249,325	24.86
1968	1,135,077	77.67	881,602	206,769	23.45

*After deducting unearned charges.

Reserve for Possible Losses

Credit losses in 1972 as a percent of average gross receivables were only slightly changed from the 1971 level. Charge-offs after offsetting recoveries were 1.56% of average gross receivables compared to 1.57% in 1971. The Provision for Possible Losses in 1972 was $37.9 million, 2.07% of average gross receivables, compared to $32.2 million and 1.94% in 1971. At year end 1972 the Reserve for Possible Losses amounted to $82.2 million, 5.20% of net receivables, compared to $76.4 million and 5.30% at year end 1971. In addition to the Reserve for Possible Losses, subsidiaries purchasing instalment sales contracts often withhold a portion of the purchase price as a reserve and/or obtain full or limited guarantees or repurchase agreements. The amount of such Dealers' Reserves at December 31, 1972 was $11.0 million compared to $10.5 million at the end of 1971.

Beneficial has one of the lowest loss ratios, as a result of high selectivity in granting credit and diligent collection effort, and one of the highest reserve ratios among companies with similar lending operations. Beneficial consistently charges off all receivables believed by Management to be uncollectible or to require disproportionate collection costs.

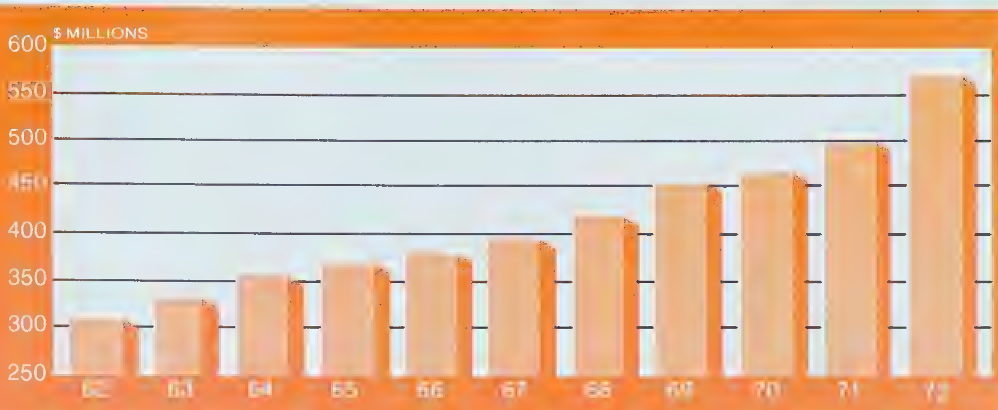
Pertinent statistics are listed in the table below.

Year	Provision for Possible Losses (Charged to Income)	Gross Amount of Receivables Charged Off	Receivables Charged Off After Offsetting Recoveries*: Amount	Receivables Charged Off After Offsetting Recoveries*: % of Average Gross Receivables	Reserve for Possible Losses at End of Year: Amount	Reserve for Possible Losses at End of Year: % of Net Receivables
			(amounts in thousands)			
1972	$37,876	$32,265	$28,431	1.56%	$82,154	5.20%
1971	32,191	29,675	26,050	1.57	76,448	5.30
1970	28,111	24,831	22,061	1.40	73,657	5.39
1969	26,038	19,832	17,051	1.22	69,625	5.49
1968	22,760	18,367	15,789	1.26	63,408	5.59

*Recoveries on receivables previously charged off are credited directly to operating income.

Net Sales and Other Revenue

1972	$566,579,000
1971	498,942,000
1970	461,069,000
1969	450,667,000
1968	418,826,000
1967	391,656,000
1966	376,323,000
1965	363,016,000
1964	352,917,000
1963	329,773,000
1962	306,150,000



Western Auto Supply Company

Western Auto Supply Company conducts a nationwide merchandising business, selling a wide variety of merchandise, primarily durable goods, at retail in its own stores and at wholesale to independently owned and operated associate stores. Most of the merchandise sold bears trademarks or brands owned by Western.

The year 1972 was the best Western has ever had in terms of both net income and sales and other revenue. Net income of $17.1 million ran $1.9 million ahead of the prior year, an increase of 12.4%. In November, sales and other revenue reached a milestone in Western's history by crossing the one-half billion dollar mark for the first time. By year end that figure, which had grown to $567 million, was $68 million (13.6%) ahead of the prior year. These sales were record performances in both total dollars and the dollar amount of increase.

Growth accelerated during 1972 in the number and sales activity of company-owned stores, which are located in many major communities. The number of stores increased by 17, and at year end 529 were in operation. Retail sales and other revenue increased by $18 million (10.0%) over the prior year to $195 million, 53% of which were credit sales. Aggressive and innovative retailing has played a major role in the increase. An example of this is Western's new concept of developing specialty stores within its company-owned retail stores, which has enabled it to improve its display and sale of sporting goods, lawn and garden supplies, and home improvement items, while maintaining its strong position in the automotive and appliance fields.

Participation in the markets of smaller communities was continued successfully through the establishment of additional associate stores and through increased business with established associate stores. A total of 302 associate stores was opened in 1972 and 113 were given up. The wholesale sales and other revenue, derived primarily from the 4,101 associate stores, amounted to $371 million by year end compared with the prior year volume of $321 million, a gain of 15.5%. Western extends deferred credit terms to owners of its associate stores on seasonal merchandise lines and certain major items. These deferred credit sales amounted to 32% of Western wholesale sales to owners of its associate stores in 1972, compared with 30% in 1971. Western purchased $101 million in retail instalment contracts from its associate stores in 1972 compared with $82 million in 1971.

Western believes that its regional merchandise shows, sponsored semi-annually in 16 different locations throughout the country, have made a major contribution to wholesale sales. The owners of associate stores are invited to the shows so that they can view exhibits of new and established product lines and merchandising techniques. During the year more than 3,400 associate store owners attended and substantial orders were placed at the shows. The continued up-grading of the image of the associate stores through Western's program of merchandising advice, site selection, marketing studies, and loans, which has encouraged expansion and remodeling or relocation within a market area, has been another contributing factor in increasing sales. Approximately 100 dealers participate in these programs each year.

Western's recognition of the need to speed up inventory distribution is evidenced by the modernization and expansion of existing distribution centers, the closing of outmoded ones, and the opening of

Consumers throughout the nation depend on Western Auto for a wide variety of quality durable products for the home, the car, recreation—to satisfy just about any everyday family need.

better located, more efficient distribution centers. At present there are 13 distribution centers, but on completion of two new centers in 1973, four older ones will be closed. As a result of these new facilities, service to both associate stores and company-owned stores will be improved and savings will be effected by automation and better location. A fleet of 338 leased trailer units, on which Western's name is prominently displayed, enables Western to keep its stores and its associate stores well supplied.

Although Western does not manufacture any merchandise, more than 90% of the merchandise it sells bears its nationally-known trademarks and brands. Examples of Western's products which enjoy wide recognition and acceptance include the Davis tire, Truetone television and stereo radio, various Wizard products (appliances, batteries, power mowers, and tools), Revelation sporting goods, Treasure House furniture, and the famous Western Flyer bicycle. For both company-owned stores and associate stores, sales promotion is carried on through extensive advertising in colorful catalogs, rotogravured circulars, newspaper advertisements, and television commercials.

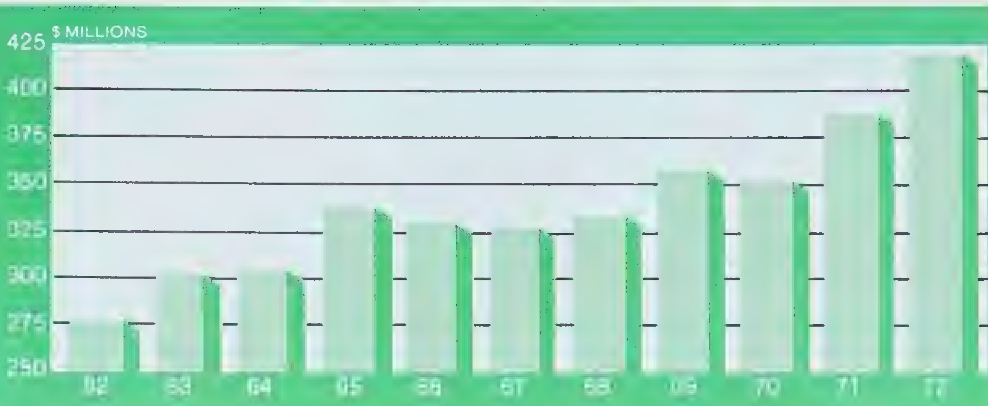
To assure customer satisfaction with the performance, quality, and safety of its merchandise, Western is continuing to expand and improve its own merchandise testing facilities and to require of its manufacturers increased merchandise testing and inspection. It also has contracts throughout the United States with approximately 4,500 companies to service its merchandise.

Midland International Corporation is an importing and sales subsidiary of Western, divisions of which are engaged in the sale of electronics, sporting goods, tools, automotive accessories, and sound equipment. It is the source of many merchandise lines for Western. Midland's 1972 all-time high sales of $64 million and net income of $.9 million, gains of 25.2% and 89.3%, respectively, arose from the sale of merchandise principally in the United States, but also in Europe, South America, Mexico, Canada, Australia, India, and various other countries. Approximately $.6 million of the increase in net income was the result of improvement of Eva Gabor's International, Ltd., a subsidiary. Purchasing facilities and supervision of the many lines of merchandise manufactured are handled by Midland offices in Tokyo, Hong Kong, Taipei, and Seoul. During 1972 increased demand for Midland's products required the opening of a new distribution center in Piscataway, New Jersey, to serve customers on the Eastern seaboard. It continues to maintain its distribution centers in Kansas City and Los Angeles.

Western is confident that the programs it has developed to increase earnings and sales have worked well. It expects to continue these programs and institute new ones to strengthen the company and improve its sound growth pattern during 1973.

Net Sales and Other Revenue

1972	$421,352,000
1971	387,036,000
1970	352,645,000
1969	357,085,000
1968	333,518,000
1967	327,270,000
1966	329,950,000
1965	338,317,000
1964	304,670,000
1963	303,903,000
1962	276,186,000



Spiegel, Inc.

Spiegel, Inc. engages in the sale through catalogs of merchandise, primarily soft goods, principally by mail and through order stores. It sells many products with nationally-known trade names and brands. Each catalog of Spiegel, Inc. features quality merchandise for every member of the family and for every home—with merchandise for the young and young at heart—with America's most wanted national brands throughout.

Sales of $396 million in 1972 represented a new high for Spiegel, Inc., reflecting an increase of 8.5% over the $365 million record in 1971. The sales increase, aided by improved operating efficiencies, offset cost increases and resulted in consolidated earnings of $7.0 million, an improvement of 16.6% over 1971 net income of $6.0 million.

Sales through catalog order stores totalled $163 million, a gain of 14% over last year's volume, and represented 41.7% of 1972 catalog sales volume. Cash sales of $66.1 million were 3.4% greater than last year while credit sales of $329.7 million exceeded the previous year by 9.5%.

The improvement in catalog order store volume resulted from an increase in the number of units as well as a reorientation of merchandising policy directed to the growing number of young families in urban markets. At year end there were 294 units in operation compared to 279 at December 31, 1971. Twenty-one new stores were opened, 10 stores were relocated, and 6 stores, having unsatisfactory performance, were closed. Additional new units are planned for 1973, but the number of new openings will decline as there are fewer suitable markets meeting customer service objectives. Spiegel expects to concentrate in 1973 on building the sales and profit potential from this important and popular facility for catalog selling.

Spiegel continued to pursue an aggressive marketing campaign designed to increase the number of active customers. At December 31, 1972 customer accounts receivable of $582 million exceeded those of the previous year by $39 million. The 2.1 million customer accounts at year end represented an increase of 7% over the previous year end, with the average balance virtually unchanged from a year ago. Market research has concentrated on the possibility of increasing sales by offering toll-free telephone service to direct mail customers and by introducing television advertising in order office markets. The results will be evaluated in 1973 and implemented progressively if favorable.

The program of adding new customers resulted in a higher level of bad debts than prevailed in 1971. Credit acceptance policies for both new and current direct mail customers were modified during the year as the result of research studies. Spiegel anticipates that the benefits of these changes will begin to be manifest in reduced credit losses in 1973 and thereafter. Collection activities have also been strengthened and intensified simultaneously with changes in credit policy to exert maximum effort in the program to reduce credit losses. Administrative changes which became

The Spiegel catalog offers a world of wanted soft goods, including many national brands, for the home and each member of the family.

effective at midyear in this important area are also expected to yield considerable improvement in credit and collection costs and losses in 1973.

At midyear Spiegel instituted a graduated table of monthly payments applicable to all new accounts opened after the effective date, which emphasizes shorter maturities. By substantially reducing average contract life, the new terms will improve capital turnover with the ultimate objective of more efficiently utilizing capital resources.

In 1972 merchandising policy focused on providing a selection of merchandise having strong appeal to all customer age groups, but especially to the large group of young families whose life style requires the most contemporary in apparel and furnishings. To implement this merchandising policy, sales media were redesigned with increased emphasis on color and featuring larger page size. The program of aggressive merchandising and improved graphics in supplementary sales media will be further intensified in 1973.

Merchandise inventories of $59.5 million at year end represented a 22.7% increase over the $48.5 million at December 31, 1971. An appreciable increase in imported merchandise, with its accompanying longer period in inventory before becoming available for sale, was largely responsible for the decline in inventory turnover for the year. Spiegel recognizes the condition and is studying ways to improve inventory control.

Savings in operational costs continued the improvement which began in 1971 despite the pressures generated by higher wage rates and increased non-wage costs not subject to the restraints of control. Operating administration concentrated on upgrading supervisory capability in selected areas, structuring a comprehensive training program to increase the efficiency of both new and present employees, stressing improved customer service, and insuring rigid adherence to cost and quality objectives. The automation of clerical order operations will be completed in Spring of 1973 with attendant cost and service benefits in the year. Specific projects to reduce the cost of automation have been identified and programs to achieve the objective have been instituted.

Spiegel plans for 1973 are concentrating on sustaining sales momentum to offset the impact on sales of shortened credit terms and countering increased costs by striving for greater efficiency in merchandising and credit operations.

Through its insurance subsidiaries and an expanding number of loan and finance offices, Beneficial offers a steadily growing variety of insurance coverages to value-conscious consumers.

Insurance Operations

Beneficial's principal insurance subsidiaries, Guaranty Life Insurance Company of America and Central National Life Insurance Company of Omaha, are engaged primarily in the reinsuring of credit life and credit accident and health risks. Other companies reinsure property and casualty risks or act as insurance brokers and agents in the writing of property and casualty insurance and as premium financing agencies.

The net income of (non-consolidated) insurance subsidiaries for 1972 was $10.5 million compared with $2.0 million for 1971. A large part of the increase is attributable to a revised method of allocation to certain loan and finance subsidiaries (see Note 13 to Financial Statements on Page 21). Insurance operations continue to expand by increasing the volume of existing coverages and through the introduction of several promising new programs.

Credit life and credit accident and health insurance is written in practically all states and Canadian provinces. The growth of such insurance volume will continue primarily due to increases of receivables on which the insurance is offered.

New programs of credit property insurance were introduced in 13 states and Canadian provinces during 1972. Expansion of such coverages is anticipated upon the passage of enabling legislation.

The sale of general insurance coverage, which is independent of credit transactions, also increased during the year, primarily in connection with the Full Financial Services offices and in other selected offices.

Insurance operations in Australia and England are planned in 1973.

During 1972 credit life and credit accident and health continued to be the mainstay of insurance operations. Each coverage is offered on an optional basis to the borrower. Credit life is normally written in an amount equal to the unpaid balance of the loan with the principal borrower the only one insured. However, joint spouse coverage, which insures a husband and wife in an amount equal to the unpaid balance of the loan, was introduced in 1972 and has been well received. Credit accident and health coverage provides benefit payments equal to the monthly payment due on the loan should the borrower become disabled.

While a significant amount of credit life and credit accident and health insurance is written directly by subsidiary life insurance companies, the majority of the programs are underwritten by independent life insurance companies and in turn reinsured with either Guaranty or Central National.

Credit life insurance is written directly on Spiegel customers by Guaranty. This program increased substantially in 1972, and further expansion is anticipated in 1973 in both volume and profitability.

As of December 31, 1972, customers of the Beneficial Finance System, with outstanding balances totalling $1,694 million, were protected by credit life insurance and receivables amounting to $1,186 million were covered by credit accident and health insurance. This coverage was written by or reinsured with Beneficial's insurance subsidiaries or written by unaffiliated insurers and not reinsured with Beneficial subsidiaries. Credit life and credit accident and health benefits paid to the customers of the Beneficial Finance System exceeded $23.7 million in 1972.

Guaranty and Central National have modest amounts of ordinary life insurance in force and continue to accept life insurance on both a coinsurance and reinsurance basis from independent outside sources.

Credit property insurance is written by unaffiliated carriers at the borrower's option. Beneficial's subsidiaries act as reinsurers or as brokers or agents on such business. During 1972 premiums in the amount of $8.2 million were written as compared with $6.5 million in 1971. Automobile, property, and liability insurance coverages are also offered.

Beneficial is proud of the fact that as a result of the credit property

(Insurance Operations concluded)

insurance programs offered in Pennsylvania, the household contents of a substantial number of borrowers in that State were covered for flood damage during the recent floods brought on by Hurricane Agnes in 1972. Beneficial customers were paid in excess of $523,000 under this flood coverage, helping them to resume normal lives. With rare exception, these customers had no other flood coverage.

An entirely new insurance operation was launched in 1972 on a limited basis—the financing of insurance premiums. The location of Beneficial main street offices provides a unique opportunity to make such service available to independent insurance agents. The test has been successful and the extension of the premium financing business is now anticipated both in the United States and Canada.

Insurance operations will continue to utilize the vast network of loan and finance offices as its principal marketing arm. Additional insurance services tailored to the unique marketing facilities available will be introduced, fulfilling all insurance needs of Beneficial customers.

General

Florida Properties Inc.

Beneficial owns 79.9% of the capital stock of Florida Properties Inc., a land-holding company. During 1972 Delarena Estates, Inc., a wholly-owned subsidiary of Florida Properties, sold all of the land it owned, approximately 188 acres in Indian River County, Florida, for $3,005,000 cash, for a profit after taxes of $1,470,000. The land was purchased in 1957. Beneficial has an equity in the profit after taxes of $1,175,000, which is included in net income of other non-consolidated subsidiaries in the Finance Division.

Three Lakes Ranch, Inc., the other wholly-owned subsidiary of Florida Properties, owns approximately 64,000 acres of land in Osceola County, Florida. This land, which is carried on the books of Three Lakes Ranch at $3,336,000, was recently valued by an independent appraiser at $19 million. If it were decided to sell this land, the sale price could of course be more or less than the appraised amount, since land values fluctuate.

New Directors

At a meeting in August of 1972, the Board of Directors increased its number from 17 to 18 and elected Freda R. Caspersen to fill the vacancy. Mrs. Caspersen is the widow of O. W. Caspersen, a former Chairman of the Board, and a business woman in her own standing. She is the Chairman of the Board of Westby Corporation, a Delaware corporation engaged in real estate investing. Over the years she has been deeply interested in Beneficial.

William W. Potter was elected a director by the Board in November of 1972 to fill a vacancy arising from the death of C. Emmerich Mears. Mr. Potter became President of Beneficial Management Corporation and a member of its Executive Committee on January 1, 1973. Between that time and his original employment in 1946 with a Beneficial subsidiary, Beneficial Finance Co. of Canada, of which he later became President, he has held various executive positions with Beneficial Finance Co. of Canada and other subsidiaries.

Beneficial Foundation, Inc.

Beneficial Foundation, Inc., a non-profit organization established by Beneficial in 1951, received contributions in 1972 from Beneficial Corporation and its subsidiaries as well as from interested individuals. Under the Foundation's scholarship program for children of Beneficial employees, more than 230 scholarships were awarded for the 1972-73 academic year. Apart from the scholarship program, 15 colleges and universities were the recipients in 1972 of direct Foundation grants totaling $58,500. An additional $119,625 was contributed by the Foundation to 30 health, educational, and public service agencies.

In Memoriam

On September 17, 1972 Director C. Emmerich Mears passed away. Mr. Mears had served Beneficial faithfully and continuously as a director since March of 1948. He had been a member of the Executive Committee from November of 1959 until the end of 1969. He was wise in his counsel, judicious in all his activities for the Company, and will be missed by all.

Statement of Income and Earned Surplus

Years Ended December 31, 1972 and 1971

	1972	1971
	(amounts in thousands)	
FINANCE DIVISION		
BENEFICIAL FINANCE SYSTEM:		
OPERATING INCOME (including recoveries on receivables previously charged off, $3,834 and $3,625) (Note 13)	**$336,602**	$317,501
OPERATING EXPENSES (including provision for possible losses, $37,876 and $32,191)	**183,903**	163,715
NET OPERATING INCOME	**152,699**	153,786
OTHER INCOME:		
Interest from non-consolidated subsidiaries	**18,107**	15,494
Other (Note 13)	**2,630**	1,288
TOTAL	**173,436**	170,568
INTEREST EXPENSE	**91,662**	81,525
INCOME OF BENEFICIAL FINANCE SYSTEM BEFORE PROVISION FOR U.S. AND FOREIGN INCOME TAXES	**81,774**	89,043
PROVISION FOR U.S. AND FOREIGN INCOME TAXES (Note 12)	**34,948**	38,786
NET INCOME OF BENEFICIAL FINANCE SYSTEM	**46,826**	50,257
NET INCOME OF NON-CONSOLIDATED FINANCE SUBSIDIARIES:		
Insurance subsidiaries (Notes 13 and 14)	**10,505**	2,006
Other subsidiaries in Finance Division	**1,327**	(1,813)
NET INCOME—FINANCE DIVISION	**58,658**	50,450
MERCHANDISING DIVISION		
NET INCOME OF NON-CONSOLIDATED MERCHANDISING SUBSIDIARIES:		
Western Auto Supply Company and Subsidiaries	**17,146**	15,254
Spiegel, Inc. and Subsidiaries	**7,008**	6,009
NET INCOME—MERCHANDISING DIVISION	**24,154**	21,263
NET INCOME	**82,812**	71,713
EARNED SURPLUS, BEGINNING OF YEAR	**396,680**	354,703
TOTAL	**479,492**	426,416
DIVIDENDS ON CAPITAL STOCK:		
5% Cumulative Preferred Stock	**1,019**	1,019
$5.50 Dividend Cumulative Convertible Preferred Stock	**4,841**	5,138
$4.50 Dividend Cumulative Preferred Stock	**468**	468
$4.30 Dividend Cumulative Preferred Stock (convertible)	**3,991**	3,954
Common Stock ($1.10 and $1.06⅔ per share) (Note 2)	**20,063**	19,157
TOTAL DIVIDENDS	**30,382**	29,736
EARNED SURPLUS, END OF YEAR	**$449,110**	$396,680
AVERAGE COMMON SHARES (AND EQUIVALENTS) OUTSTANDING (Note 2)	**18,413**	18,143
EARNINGS PER COMMON SHARE (Notes 2 and 3):		
Primary	**$3.95**	$3.38
Fully-diluted	**$3.33**	$2.87

The Notes to Financial Statements should be considered in connection with this statement.

Balance Shee

Assets

	1972	1971
	(amounts in thousands)	
Cash	**$ 47,088**	$ 52,200
Notes and Accounts Receivable (due according to contract in monthly instalments generally up to thirty-six months)	**1,936,330**	1,755,178
Less Unearned Charges	**356,641**	313,847
	1,579,689	1,441,331
Less Reserve for Possible Losses	**82,154**	76,448
	1,497,535	1,364,883
Due from Spiegel, Inc. and Subsidiaries (Page 25) (Note 4)	**249,317**	240,108
Other Current Assets	**56,095**	51,092
TOTAL CURRENT ASSETS	**1,850,035**	1,708,283
Investments in Non-Consolidated Subsidiaries (at equity in net assets):		
Western Auto Supply Company (Page 22)	**206,721**	190,575
Spiegel, Inc. (Page 25)	**120,738**	113,730
Insurance Subsidiaries (Note 14)	**32,536**	16,759
Other	**9,649**	8,191
	369,644	329,255
Fixed Assets (at cost, less accumulated depreciation and amortization of $10,702 and $9,564)	**18,359**	13,578
Deferred Charges and Miscellaneous Assets	**17,141**	15,344
Excess of Cost of Common Stock of Certain Subsidiaries over Equity in Net Assets Thereof at Dates of Acquisition	**28,286**	28,486
TOTAL	**$2,283,465**	$2,094,946

The Notes to Financial Statements should b

ecember 31, 1972 and 1971

Liabilities and Capital

	1972	1971
	(amounts in thousands)	
Loans Payable:		
Banks	**$ 107,767**	$ 66,611
Commercial Paper	**123,385**	209,044
	231,152	275,655
Current Portion of Long-Term Debt	**29,306**	130,173
U. S. and Foreign Income Taxes Payable (Note 12)	**1,707**	9,597
Accounts Payable and Accrued Liabilities	**46,984**	40,761
Dealers' Reserves	**11,000**	10,464
Employees' Thrift Accounts	**24,514**	22,605
TOTAL CURRENT LIABILITIES	**344,663**	489,255
Long-Term Debt (Note 8)	**1,273,129**	995,005
Liability for Incentive Compensation Plan (Note 5)	**6,198**	6,481
Minority Interest in Subsidiaries	**4,861**	4,841
TOTAL LIABILITIES	**1,628,851**	1,495,582
Unrecognized Gain Arising from Translation of Foreign Currencies (Note 6)	**9,484**	7,752
CAPITAL STOCK AND SURPLUS (Notes 7 and 9):		
5% Cumulative Preferred Stock	**20,386**	20,386
$5.50 Dividend Cumulative Convertible Preferred Stock	**17,237**	18,173
$4.50 Dividend Cumulative Preferred Stock	**10,398**	10,398
$4.30 Dividend Cumulative Preferred Stock (convertible)	**93,138**	92,552
Common Stock	**18,337**	18,099
Capital Surplus	**36,524**	35,324
Earned Surplus	**449,110**	396,680
TOTAL CAPITAL STOCK AND SURPLUS	**645,130**	591,612
TOTAL	**$2,283,465**	$2,094,946

nsidered in connection with this balance sheet.

Beneficial Corporation and Consolidated Subsidiaries

Statement of Capital Surplus

Years Ended December 31, 1972 and 1971

	1972	1971
	(amounts in thousands)	
BALANCE, BEGINNING OF YEAR	**$35,324**	$39,424
Credit relating to distributions of Treasury Stock in connection with Company's Incentive Compensation Plan (Note 5)	**232**	215
Excess of stated value of $5.50 Dividend Cumulative Convertible Preferred Stock over par value of Company Common Stock issued upon conversion	**724**	1,204
Excess of face amount of Spiegel Subordinated Debentures over par and stated values of Company capital stock issued in exchange	**234**	437
Charge in connection with 3-for-2 Common Stock split effective January 31, 1972	**—**	(6,033)
Miscellaneous	**10**	77
BALANCE, END OF YEAR	**$36,524**	$35,324

Statement of Changes in Financial Position

Years Ended December 31, 1972 and 1971

	1972	1971
	(amounts in thousands)	
SOURCE OF FUNDS:		
Operations:		
Net income	**$ 82,812**	$ 71,713
Non-cash charges to income:		
Provision for possible losses	**37,876**	32,191
Depreciation and amortization	**3,835**	3,503
Total	**124,523**	107,407
Less undistributed net income of non-consolidated subsidiaries	**34,794**	21,149
Total funds provided by operations	**89,729**	86,258
Collections on instalment receivables (except finance charges included in income)	**847,067**	768,068
Long-term debt issued	**238,021**	157,759
Other	**18,885**	15,170
	$1,193,702	$1,027,255
APPLICATION OF FUNDS:		
New funds lent to customers	**$1,020,686**	$ 873,911
Long-term debt paid	**60,264**	116,875
Short-term notes and bank loans—net decrease (increase)	**44,503**	(43,180)
Advances to non-consolidated subsidiaries—net increase	**8,300**	14,373
Investment in non-consolidated subsidiaries	**272**	5,367
Cash dividends	**30,382**	29,736
Other	**29,295**	30,173
	$1,193,702	$1,027,255

The Notes to Financial Statements should be considered in connection with the above statements.

Notes to Financial Statements

1. Accounting Principles, Policies, and Practices

The accompanying financial statements include (after inter-company eliminations) all subsidiaries except the merchandising subsidiaries (Western Auto Supply Company and Subsidiaries and Spiegel, Inc. and Subsidiaries), the insurance subsidiaries (engaged primarily in credit life and credit accident and health insurance) and other subsidiaries (in the aggregate not significant). However, the equity of the Company in the net assets and net income of all subsidiaries is included in the accompanying financial statements. Reference is made to the condensed financial statements of Western Auto and Spiegel, which appear elsewhere in this report, and to Note 14 for summarized data of insurance subsidiaries.

The accompanying statements, with the exception of operating income and certain operating expenses, are prepared on the accrual basis. The unrecorded asset of finance charges receivable exceeds the unrecorded liability for expenses payable; such excess and the interperiod change therein are not considered material in relation to the Balance Sheet and the Statement of Income, respectively. Unearned charges relating to finance subsidiaries are taken into income as earned and collected under a method that produces results approximating the Rule of 78ths.

The Reserve for Possible Losses is maintained on a conservative basis to cover normal losses and to provide for possible extraordinary losses. Receivables considered uncollectible or to require disproportionate collection costs are charged off monthly; however, collection efforts are continued.

Certain 1971 amounts have been restated to conform with 1972 classifications.

2. Common Stock Split

The number of Common shares and per-Common-share figures for all years reflect the 3-for-2 Common Stock split of January 31, 1972.

3. Earnings Per Common Share

For calculation of earnings per Common share, see Page 28.

4. Due from Spiegel, Inc. and Subsidiaries

Of this amount $40,521,000 is due at December 31, 1972 and $39,794,000 at December 31, 1971 from Fairfax Family Fund, Inc., a consumer loan company.

Of the total amount at December 31 $38,810,000 in 1972 and $30,397,000 in 1971 is subordinated to $70,000,000 of long-term debt payable to a non-affiliated company.

5. Incentive Compensation Plan

The liability for the Incentive Compensation Plan is payable in cash and Common Stock of the Company in equal quarterly instalments over a ten-year period after severance of employment due to death or retirement or (subject to a three-year employment limitation) other termination of employment. The portion of the liability payable in Common Stock amounts to 175,985 shares at December 31, 1972 and 193,672 shares at December 31, 1971.

6. Foreign Operations

Assets and liabilities in foreign currencies (principally Canadian) are included in the accompanying Balance Sheet after translation to U.S. dollar equivalents in the respective amounts of $274,200,000 and $135,400,000 at December 31, 1972 and $244,600,000 and $116,800,000 at December 31, 1971. Translation of assets, liabilities, and foreign operating results, except Canadian, are generally at par. Canadian assets and liabilities have been translated at the market rate, which at December 31 was $1.00503 for 1972 and $.99782 for 1971. Canadian operating results have been translated at the average market rate of $1.00982 for 1972 and of $.99041 for 1971. Any net gain resulting from translation of foreign currencies is credited to Unrecognized Gain Arising from Translation of Foreign Currencies.

No recognition has been given to the gain arising from the February 1973 devaluation of the U.S. dollar.

7. Restrictions on Surplus

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1972 and 1971 the amount of all Surplus (Capital and Earned) free, under the most restrictive of these covenants, is approximately $207,000,000 and $211,000,000.

(continued)

8. *Long-Term Debt*

Long-term debt outstanding December 31, excluding portion due within one year, is as follows:

	1972	1971
	(in thousands)	
Senior Debt:		
Payable in U.S. Currency:		
5½%-6¼%, due various dates	$ 5,925	$ 32,275
3⅜%, due 4/1/74	25,000	25,000
7¼%, due 9/1/74	68,942	—
4⅛%, due 7/1/76	35,000	35,000
8½%, due 11/15/76	75,000	75,000
6¾%, due 5/1/77	50,000	50,000
5%, due 11/1/77	50,000	50,000
9⅜% to 7/1/75 and 8¼% thereafter, due 7/1/78	75,000	75,000
6¾%, due 7/15/79	25,000	—
5¼%, due 12/1/79	30,000	30,000
7¼%, due 2/15/80	50,000	—
4⅞%, due 6/1/81	50,000	50,000
4⅝%, due 6/1/87	35,000	35,000
4.45%, due 6/1/88	30,000	30,000
4.60%, due 3/1/89	30,000	30,000
5%, due 11/1/90	100,000	100,000
4½%, due 3/1/92	50,000	50,000
4¾%, due 5/15/93	75,000	75,000
6¾%, due 8/1/94	50,000	50,000
7½%, due 11/1/96	75,000	75,000
7.45%, due 2/1/00	75,000	—
7½%, due 7/15/02	75,000	—
Total	1,134,867	867,275
Payable in Canadian Currency:		
6-6½%, due serially to 12/31/76	754	1,098
4⅞%, due 6/1/76	10,050	9,978
5⅞%, due 6/1/84	8,442	8,382
6%, due 9/1/85	5,377	5,338
7½%, due 10/15/87	15,075	14,967
9%, due 1/2/91	25,126	24,946
Total	64,824	64,709
Payable in Swiss Currency:		
6%-7½%, due 1973 to 1977	23,438	13,021
Total Senior Debt	1,223,129	945,005
Subordinated Debt:		
Payable in U.S. Currency:		
5⅞%, due 7/15/80	50,000	50,000
Total	$1,273,129	$995,005

9. *Capital Stock*

At December 31 shares of capital stock are as follows:

	Outstanding 1972 / 1971
Preferred Stock—no par value (issuable in series). Authorized, 500,000.	None None
5% Cumulative Preferred Stock—$50 par value. Authorized, 585,730 . .	407,718(a 407,725(a
$5.50 Dividend Cumulative Convertible Preferred Stock — no par value —$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $86,184,900 and $90,866,700). Authorized, 1,164,077	861,849 908,667
$4.50 Dividend Cumulative Preferred Stock—$100 par value. Authorized, 103,976	103,976 103,976
$4.30 Dividend Cumulative Preferred Stock—no par value—$100 stated value (each share convertible prior to November 1, 1977 into 2.1 shares of Common). Authorized, 1,069,204.	931,385(b 925,525(b
Common Stock—$1 par value. Authorized, 60,000,000.	18,337,006(c 18,098,915(c

a) After deducting treasury shares .	178,012 178,005
b) After deducting shares held by a consolidated subsidiary	46,500 46,500
c) After deducting:	
Treasury shares	4,663,555 4,676,487
Shares held by a consolidated subsidiary	93,000 93,000

Of the authorized shares shown above as of December 31, 1972, an aggregate of 36,634 shares of $4.30 Preferred are reserved for conversion of Spiegel Subordinated Debentures and 6,082,085 shares of Common are reserved for conversion of $5.50 Preferred, $4.30 Preferred, and Spiegel Subordinated Debentures.

10. *Leases*

Real estate leases pertaining to loan and finance offices total approximately 1,800 and have original terms generally of five years with renewal options for like terms. The aggregate of annual rentals under such leases in effect at December 31, 1972 is approximately $6,980,000.

11. *Employees' Retirement Plans*

Substantially all employees of the Company

(continued)

and consolidated subsidiaries are covered by one or more of several retirement plans. The plans are fully funded except for relatively minor amounts, which for the most part are being funded over periods of approximately ten years. Total expense of the plans for the year ended December 31 was $1,782,000 for 1972 and $1,550,000 for 1971.

12. Taxes on Income

The Provision for U.S. and Foreign Income Taxes was credited with $1,340,000 for 1972 and charged $743,000 for 1971 relating to future income tax benefits. The Company is filing a consolidated Federal income tax return for 1972, which will include the parent company and all eligible subsidiaries, including major non-consolidated subsidiaries. The effect of filing a consolidated return is to defer the payment of an aggregate of approximately $22,000,000 of Federal income taxes, substantially all of which results from a tax loss contributed by Spiegel, Inc. The deferred tax liability resulting from this tax loss has been reflected almost entirely in the financial statements of Spiegel, with an offsetting reduction in its intercompany liability to the parent company. See Note 1 to Spiegel condensed financial statements.

13. Allocation to Certain Finance Subsidiaries

Allocations of income of $2,949,000 for 1972 and $8,018,000 for 1971 have been made by non-consolidated life insurance subsidiaries to certain consolidated loan and finance subsidiaries. The Statement of Income includes such amounts in Operating Income with the related tax effect reflected in Provision for U.S. and Foreign Income Taxes. The reduction in allocation for 1972 results from changes in the allocation formula and in the mix of insurance written as well as changes in the specific subsidiaries which received the allocations. Other Income includes $1,638,000 for 1972 and $607,000 for 1971 relating to the net effect after tax offsets of such allocations applicable to years prior to 1971.

14. Insurance Subsidiaries

Summarized data for the insurance subsidiaries for the years ended December 31 are as follows:

	1972	1971
	(amounts in thousands)	
Total Assets	**$98,663**	$87,442
Capital Stock and Surplus	**32,536**	16,759
Premium Earned	**36,616**	27,681
Investment Income (net)	**4,084**	3,004
Claims Paid and Provided For	**23,746**	16,805
Net Income	**10,505**	2,006

Accountants' Opinion

The Board of Directors and Stockholders of Beneficial Corporation

We have examined the balance sheet of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1972 and 1971 and the related statements of income and earned surplus, capital surplus, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Western Auto Supply Company and subsidiaries and Spiegel, Inc. and subsidiaries (non-consolidated subsidiaries), the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements for such companies were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1972 and 1971 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Newark, N.J.
February 22, 1973

Western Auto Supply Company and Consolidated Subsidiaries

Condensed Balance Sheet
December 31, 1972 and 1971

	1972	1971
	(amounts in thousands)	
ASSETS		
Cash	**$ 9,317**	$ 6,386
Notes and Accounts Receivable (Note 1)	**218,315**	190,397
Less Allowance for Doubtful Receivables	**14,677**	13,749
Notes and Accounts Receivable, net	**203,638**	176,648
Inventories, at lower of cost (first-in, first-out) or replacement market	**143,791**	120,855
Other Current Assets (Note 1)	**15,726**	13,418
Total Current Assets	**372,472**	317,307
Fixed Assets, at cost less accumulated depreciation and amortization of $13,611 and $13,948	**41,714**	29,259
Excess of Cost of Common Stock of Subsidiaries over Equity in Net Assets at Dates of Acquisition	**1,837**	1,790
Other Assets	**717**	784
Total	**$416,740**	$349,140
LIABILITIES AND CAPITAL		
Notes Payable	**$ 68,465**	$ 8,405
Trade Accounts Payable	**33,412**	42,135
Federal and State Income Taxes Payable (Note 1):		
Current	**4,222**	7,446
Deferred	**20,546**	19,588
Other Current Liabilities	**30,877**	27,450
Total Current Liabilities	**157,522**	105,024
Long-Term Debt (Note 2)	**52,497**	53,541
Capital Stock and Surplus	**206,721**	190,575
Total	**$416,740**	$349,140

Condensed Statement of Income and Retained Earnings
Years Ended December 31, 1972 and 1971

	1972	1971
Net Sales and Other Revenue	**$566,579**	$498,942
Cost of Goods Sold and Operating Expenses (including depreciation and amortization of $3,626 and $3,100)	**524,822**	462,307
Net Operating Income	**41,757**	36,635
Interest Expense	**7,799**	6,303
Income before Taxes on Income	**33,958**	30,332
Federal and State Income Taxes (Note 1):		
Current	**16,069**	16,022
Deferred, net	**743**	(944)
Total Federal and State Income Taxes	**16,812**	15,078
Net Income	**17,146**	15,254
Retained Earnings, Beginning of Year	**116,857**	101,703
Total	**134,003**	116,957
Dividends Paid	**1,000**	100
Retained Earnings, End of Year	**$133,003**	$116,857

Western Auto Supply Company and Consolidated Subsidiaries

Condensed Statement of Changes in Financial Position

Years Ended December 31, 1972 and 1971

	1972	1971
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net Income	**$17,146**	$15,254
Expenses Not Requiring Concurrent Cash Outlays (principally depreciation and amortization)	**3,461**	3,121
Funds Provided from Operations	**20,607**	18,375
Proceeds of Sale of Long-Term Debt	**146**	49,684
Other	**1,152**	363
	$21,905	$68,422
APPLICATION OF FUNDS:		
Additions to Fixed Assets	**$16,947**	$ 9,352
Reduction of Long-Term Debt	**1,190**	1,393
Excess Cost over Book Value of Acquired Subsidiary	**101**	769
Cash Dividends	**1,000**	100
Increase (Decrease) in Working Capital:		
Notes and Accounts Receivable	**26,990**	8,218
Inventories	**22,936**	12,025
Accounts and Notes Payable	**(51,337)**	42,110
Miscellaneous	**4,078**	(5,545)
Increase in Working Capital	**2,667**	56,808
	$21,905	$68,422

Notes to Condensed Financial Statements

1. Accounting Policies

The financial statements include the accounts of Western Auto Supply Company and its wholly-owned subsidiaries.

Handling charges on retail instalment sales are included in income in the period in which the sale is made. Handling charges on retail revolving credit accounts are recorded in income in the period in which such charges are billed to customers. For income tax purposes the entire income from all retail credit sales is recognized under the instalment method. The deferred income tax liability is primarily the result of these differences.

Included in current receivables are amounts becoming due after one year of approximately $67,518,000.

Depreciation of fixed assets is computed using the straight-line method over the useful lives of the assets. Investment tax credits are deferred and amortized over an eight-year period and are immaterial in amount.

The company's policy is to fund current retirement costs including a provision for funding prior service costs over a period of not more than thirty

(continued on Page 27)

Accountants' Opinion

The Board of Directors of Western Auto Supply Company

We have examined the condensed balance sheet of Western Auto Supply Company and Consolidated Subsidiaries as of December 31, 1972 and 1971 and the related condensed statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such condensed financial statements present fairly the financial position of Western Auto Supply Company and Consolidated Subsidiaries at December 31, 1972 and 1971 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kansas City, Missouri
February 12, 1973

PEAT, MARWICK, MITCHELL & CO.

Beneficial Corporation and Consolidated Subsidiaries

Eleven-Year Summary

Years ended December 31	1972	1971	1970
During the Year			
Consolidated			
Net Income	$ 82,812	71,713	61,521
Number of Common Shares Outstanding (average) (a)	18,413	18,143	17,885
Earnings per Common Share (primary) (dollars) (a)	$ 3.95	3.38	2.84
Earnings per Common Share (fully-diluted) (dollars) (a)	$ 3.33	2.87	2.46
Cash Dividends Paid per Common Share (dollars) (a)	$ 1.10	1.06⅔	1.06⅔
Finance Division			
Beneficial Finance System (major part of Finance Division)			
Volume of Receivables Acquired less Unearned Charges	$1,632,869	1,461,770	1,368,832
Number of Receivables Acquired	2,150	1,940	1,924
Average Amount of Transactions (dollars)	$ 759	753	711
% of Monthly Cash Principal Collections to Average Monthly Balances	4.77	4.68	4.50
% of Receivables Charged off after Offsetting Recoveries to Average Monthly Balances	1.56	1.57	1.40
Operating Income	$ 336,602	317,501	291,939
Operating Expenses	$ 183,903	163,715	149,866
Interest Expense	$ 91,662	81,525	84,520
U.S. and Foreign Income Taxes	$ 34,948	38,786	32,126
Net Income	$ 46,826	50,257(b	39,427
% of Net Income to Operating Income	13.91	15.83	13.51
Insurance and Other Subsidiaries—Net Income	$ 11,832	193	3,259
Net Income—Finance Division	$ 58,658	50,450	42,686
Merchandising Division			
Western Auto Supply Company and Subsidiaries			
Net Sales and Other Revenue	$ 566,579	498,942	461,069
Net Income	$ 17,146	15,254	14,783
% of Net Income to Net Sales and Other Revenue	3.03	3.06	3.21
Spiegel, Inc. and Subsidiaries			
Net Sales and Other Revenue	$ 421,352	387,036	352,645
Net Income	$ 7,008	6,009	4,052
% of Net Income to Net Sales and Other Revenue	1.66	1.55	1.15
Combined			
Net Sales and Other Revenue	$ 987,931	885,978	813,714
Net Income—Merchandising Division	$ 24,154	21,263	18,835
% of Net Income to Net Sales and Other Revenue	2.44	2.40	2.31
At Year End			
Consolidated			
Current Assets	$1,850,035	1,708,283	1,592,387
Current Liabilities	$ 344,663	489,255	428,052
Long-Term Debt	$1,273,129	995,005	966,094
% of Current Assets to Total Liabilities	113.58	114.22	133.30
Beneficial Finance System			
Notes and Accounts Receivable less Unearned Charges	$1,579,689	1,441,331	1,366,537
% of Unearned Charges to Related Net Receivables	27.68	26.85	25.13
Reserve for Possible Losses	$ 82,154	76,448	73,657
% of Reserve for Possible Losses to Receivables less Unearned Charges	5.20	5.30	5.39
% of Loan Receivables More than Two Months Delinquent (based upon account balances)	0.99	0.89	0.96
Number of Accounts	2,223	2,105	2,125
Average Account Balance (dollars)	$ 711	685	643

*Poolings of interests include B Corporation (formerly Beneficial Corporation) for periods prior to merger into the Company on March 14, 1968 and Spiegel, Inc. for years prior to 1966. Years prior to 1970 have been restated to reflect Western Auto Acceptance Company, formerly a consolidated subsidiary of Beneficial Corporation, as a consolidated subsidiary of Western Auto Supply Company.

a) Adjusted for increase in share 1972, stock dividend paid in 1

b) Includes $4,200,000 (net of ta consolidated subsidiaries.

c) Includes profit on sale of forei

All data adjusted for poolings of interests*

1969	1968	1967	1966	1965	1964	1963	1962
(amounts in thousands, except where noted)							
58,454	55,523	50,506	55,264	54,088	49,265	44,884	41,764
17,488	17,047	16,965	16,531	16,122	15,948	15,847	15,818
2.72	2.58	2.29	2.62	2.58	2.30	2.05	1.85
2.34	2.22	2.01	2.23	2.20	2.06	1.87	1.74
1.06⅔	1.06⅔	1.06⅔	1.06⅔	.97	.78	.73	.67
1,402,672	1,352,295	1,162,047	1,148,152	1,105,807	1,009,598	960,726	870,073
2,120	2,199	2,105	2,207	2,190	2,001	1,924	1,788
662	615	552	520	505	505	499	487
4.85	5.11	5.24	5.21	5.47	5.49	5.54	5.56
1.22	1.26	1.41	1.33	1.23	1.20	1.10	1.11
261,776	233,358	215,657	204,869	183,792	164,145	148,919	142,066
137,690	128,110	122,198	112,271	102,406	90,022	81,588	76,375
72,845	55,001	47,878	43,696	32,451	27,968	24,529	22,499
31,024	28,696	24,729	26,164	23,924	23,420	21,191	22,328
35,435	33,402	32,139	33,497	29,454	25,363	23,850	22,533
13.54	14.31	14.90	16.35	16.03	15.45	16.02	15.86
3,911	3,496	3,105	2,513	1,646	1,684	1,318	1,209
39,346	36,898	35,244	36,010	31,100	27,047	25,168	23,742
450,667	418,826	391,656	376,323	363,016	352,917	329,773	306,150
15,215	14,861	13,457	13,220	13,686	13,176	11,521	10,848
3.38	3.55	3.44	3.51	3.77	3.73	3.49	3.54
357,085	333,518	327,270	329,950	338,317	304,670	303,903	276,186
3,893	3,764	1, 805(c	6,034	9,302	9,042	8,195	7,174
1.09	1.13	.55	1.83	2.75	2.97	2.70	2.60
807,752	752,344	718,926	706,273	701,333	657,587	633,676	582,336
19,108	18,625	15,262	19,254	22,988	22,218	19,716	18,022
2.37	2.48	2.12	2.73	3.28	3.38	3.11	3.09
1,472,691	1,313,665	1,156,152	1,124,519	999,239	834,374	739,415	660,353
357,510	373,117	260,060	274,442	169,604	177,700	151,215	109,614
931,699	763,101	726,869	682,725	670,486	510,392	466,856	435,456
113.23	114.50	115.88	116.22	117.55	119.56	117.83	119.04
1,267,075	1,135,077	988,752	944,011	853,091	773,858	700,591	627,569
24.86	23.45	22.28	22.38	22.87	22.61	21.54	20.52
69,625	63,408	59,012	55,109	49,936	43,125	38,026	33,737
5.49	5.59	5.97	5.84	5.85	5.57	5.43	5.38
0.90	0.83	0.86	0.74	0.77	0.72	0.71	0.74
2,132	2,121	2,085	2,111	1,955	1,783	1,626	1,525
594	535	474	447	436	434	431	412

hares arising from 3-for-2 Common Stock split effective January 31,
in 1964, etc.

of tax) of insurance income previously reported in income of non-

oreign subsidiary (net of Federal income tax) of $1,243,000.

Spiegel, Inc. and Consolidated Subsidiaries

Condensed Balance Sheet

December 31, 1972 and 1971

	1972	1971
	(amounts in thousands)	
ASSETS		
Cash	**$ 3,566**	$ 2,496
Accounts and Notes Receivable, less allowance for doubtful accounts and collection expenses of $76,643 and $68,399 (Note 1)	**561,753**	529,580
Inventories, at lower of cost (first-in, first-out) or market	**60,991**	49,960
Prepaid Expenses	**10,832**	11,495
Total Current Assets	**637,142**	593,531
Properties, at cost less accumulated depreciation of $18,737 and $17,807	**23,325**	22,187
Other Assets	**7,581**	6,703
Total	**$668,048**	$622,421
LIABILITIES AND CAPITAL		
Due to Beneficial Corporation (Note 2)	**$249,317**	$240,108
Other Current Debt	**2,039**	2,008
Federal and State Income Taxes Payable (Note 1):		
Current	**184**	1,984
Deferred	**94,306**	68,046
Other Current Liabilities	**39,960**	34,704
Total Current Liabilities	**385,806**	346,850
Long-Term Debt (Note 2)	**161,504**	161,841
Capital Stock and Surplus	**120,738**	113,730
Total	**$668,048**	$622,421

Condensed Statement of Income and Retained Earnings

Years Ended December 31, 1972 and 1971

Net Sales and Other Revenue	**$421,352**	$387,036
Cost of Goods Sold, including buying and occupancy expenses	**205,645**	192,968
Selling and Administrative Expenses (Note 4)	**175,542**	158,560
Interest Expense (including $18,184 and $15,277 to Beneficial Corporation)	**27,204**	24,245
Total of Above Costs and Expenses	**408,391**	375,773
Income before Income Taxes	**12,961**	11,263
Provision for Federal and State Income Taxes (Note 1):		
Current	**(20,307)**	4,496
Deferred	**26,260**	758
Total Provision	**5,953**	5,254
Net Income	**7,008**	6,009
Retained Earnings, Beginning of Year	**71,852**	65,843
Retained Earnings, End of Year (Note 3)	**$ 78,860**	$ 71,852

Spiegel, Inc. and Consolidated Subsidiaries

Condensed Statement of Changes in Financial Position

Years Ended December 31, 1972 and 1971

	1972	1971
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net Income	**$ 7,008**	$ 6,009
Undistributed Net Income of Non-Consolidated Subsidiary	**(686)**	(651)
Expenses Not Requiring Concurrent Cash Outlays (principally depreciation and amortization)	**2,890**	2,864
	$ 9,212	$ 8,222
APPLICATION OF FUNDS:		
Additions to Properties	**$ 3,663**	$ 2,809
Reduction of Long-Term Debt	**337**	2,097
Other	**557**	520
	4,557	5,426
Increase (Decrease) in Working Capital:		
Cash	**1,070**	(542)
Accounts and Notes Receivable	**32,173**	35,589
Inventories	**11,031**	9,928
Prepaid Expenses	**(663)**	2,644
Accounts and Notes Payable and Accrued Liabilities	**(5,287)**	(6,655)
Federal and State Income Taxes Payable	**(24,460)**	(1,475)
Due to Beneficial Corporation	**(9,209)**	(36,693)
Increase in Working Capital	**4,655**	2,796
	$ 9,212	$ 8,222

Notes to Condensed Financial Statements

1. Accounting Policies

The accompanying financial statements include Spiegel, Inc. and all subsidiaries except a wholly-owned life insurance company. The net assets of the life insurance company of $3,910,000 and $3,224,000 at December 31, 1972 and 1971, respectively, are included in Other Assets, and Net Sales and Other Revenue includes $686,000 and $651,000 representing the equity in net income for the years then ended.

The financial statements are prepared on the accrual basis. Instalment sales represent a substantial portion of sales. For financial statement purposes the entire amount due and to become due on these sales, which includes the time-price differential, is immediately recorded as sales revenue and accounts receivable, and provision is made for doubtful accounts and collection expenses.

In accordance with generally recognized trade practice, Accounts and Notes Receivable includes amounts becoming due after one year of approximately $358,000,000 and $339,000,000 at December 31, 1972 and 1971, respectively.

For income tax purposes the income arising

(continued on Page 27)

Accountants' Opinion

The Board of Directors of Spiegel, Inc.

In our opinion, the accompanying condensed balance sheet and the related condensed statements of income and retained earnings and of changes in financial position present fairly the financial position of Spiegel, Inc. and Consolidated Subsidiaries at December 31, 1972 and 1971, the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Chicago, Illinois
February 13, 1973

Western Auto Supply Company and Consolidated Subsidiaries

Notes to Condensed Financial Statements (concluded)

years. Unfunded prior service costs at December 31, 1972 are $1,482,000.

Reserves are maintained to provide for anticipated costs relating to merchandise under warranty.

Pre-opening and start-up costs for new stores and distribution centers are charged to operations as incurred.

2. Long-term Debt and Restrictions on Retained Earnings

Included in long-term debt is $50,000,000 of 7.85% sinking fund debentures which require sinking fund payments commencing in 1976. The indenture relating to these debentures contains covenants restricting payment of cash dividends and the purchase and retirement of the company's capital stock. At December 31, 1972 the amount of Surplus unrestricted under these covenants is $44,584,000.

3. Profit Sharing and Retirement Plans

Substantially all employees of the company and its subsidiaries are covered by trusteed profit sharing and retirement plans. The contributions to the plans for the year ended December 31 were $4,355,000 for 1972 and $3,848,000 for 1971, of which $1,370,000 and $1,383,000 represent funding of retirement plan costs.

4. Leases

At December 31, 1972 real property was occupied under 666 separate leases expiring from 1973 to 1993 with aggregate minimum annual rentals of $9,528,000.

Spiegel, Inc. and Consolidated Subsidiaries

Notes to Condensed Financial Statements (concluded)

from instalment sales is reported on the cash collection basis. The income taxes deferred as a result thereof are included in current liabilities as Federal and State Income Taxes Payable—Deferred, which represents the accumulated total of reductions in Federal and state income taxes, arising principally from the use for tax purposes of the cash collection method.

The company's loss for tax purposes in 1972 of approximately $45,600,000, arising principally from the use of the cash collection basis for instalment sales, will be included in a consolidated Federal income tax return to be filed by the company's parent, Beneficial Corporation. As a result the provision for current income tax and the liability to Beneficial Corporation have been reduced by $21,100,000. The total provision for income taxes is approximately the same as it would have been had the company continued to file separate returns.

Depreciation of property is provided on the straight-line method over the estimated useful lives. Major computer development costs and catalog order store pre-opening expenses are deferred and amortized over a period not in excess of five years.

The company has an unfunded, non-contributory pension plan for eligible hourly-compensated employees. Pension costs charged to operations, including amortization of prior service costs over forty years, aggregated $425,000 and $364,000 for 1972 and 1971, respectively. At December 31, 1972 the actuarially computed excess of vested benefits over balance sheet accruals was approximately $1,575,000.

2. Long-Term Debt

Long-term debt, some of which is secured by property, matures in varying amounts from 1977 to 1992 and bears interest at 4½% to 5.9%.

At December 31, 1972 $38,810,000 of the amount due Beneficial Corporation is subordinated to $70,000,000 of long-term debt payable to a non-affiliated company.

3. Restrictions on Dividends

The debt agreements restrict, as to payment of cash dividends, $51,179,000 of retained earnings at December 31, 1972.

4. Provision for Doubtful Accounts and Collection Expenses

Provision for doubtful accounts and collection expenses charged to costs and expenses aggregates $45,317,000 and $40,367,000.

5. Leases

Rent expense, principally for catalog offices and data processing equipment, was $6,349,000 and $5,864,000. Minimum annual rentals for leases expiring from 1973 through 1976 aggregate $2,745,000. Many of the leases are renewable.

Beneficial Corporation and Consolidated Subsidiaries

Calculation of Earnings per Common Share

Years Ended December 31, 1972 and 1971

	1972	1971
	(amounts in thousands)	
Primary		
NET INCOME	**$82,812**	$71,713
DIVIDEND REQUIREMENTS ON PREFERRED STOCKS (Note B)	**10,120**	10,346
EARNINGS AVAILABLE FOR COMMON STOCK	**$72,692**	$61,367
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note C)	**18,413**	18,143
EARNINGS PER COMMON SHARE	**$3.95**	$3.38
Fully-diluted (Note D)		
NET INCOME	**$82,812**	$71,713
DIVIDEND REQUIREMENTS ON PREFERRED STOCKS (Note E)	**1,271**	1,244
EARNINGS AVAILABLE FOR COMMON STOCK	**$81,541**	$70,469
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note E)	**24,494**	24,516
EARNINGS PER COMMON SHARE	**$3.33**	$2.87

Notes

A. The calculations to arrive at earnings per Common share are made in compliance with Opinion 15 (May 1969) of the Accounting Principles Board of the American Institute of Certified Public Accountants.

B. These are the dividend requirements on Preferred shares outstanding on December 31 of each year.

C. Shares held by persons outside the consolidated group of companies. The average is calculated by using the number of shares at beginning of period and at end of each month included in the period.

D. The fully-diluted earnings per Common share is designed to show the effect on primary earnings per share if all convertible securities were converted prior to the beginning of the period reported.

E. The dividend requirements on Preferred Stocks are much less in this calculation than in the primary one because it is assumed here that all convertible securities have been converted, thus appreciably increasing the number of Common shares outstanding.

The net saving of interest resulting from conversion of Spiegel Subordinated Debentures has been reflected as a reduction of the Preferred dividend requirements.

Data by Calendar Quarter*

	Earnings per Common Share				Net Income					
	Primary		Fully-Diluted		Consolidated		Finance Division		Merchandising Division	
Quarter	**1972**	1971	**1972**	1971	**1972**	1971	**1972**	1971	**1972**	1971
							(in thousands)			
First	**$ .91**	$ .69	**$ .77**	$ .61	**$19,196**	$15,149	**$15,311**	$12,799	**$ 3,885**	$ 2,350
Second	**.90**	.68	**.77**	.59	**19,174**	14,937	**13,248**	10,703	**5,926**	4,234
Third	**.91**	.89	**.78**	.75	**19,346**	18,669	**16,021**	14,791	**3,325**	3,878
Fourth	**1.23**	1.12	**1.01**	.92	**25,096**	22,958	**14,078**	12,157	**11,018**	10,801
Total	**$3.95**	$3.38	**$3.33**	$2.87	**$82,812**	$71,713	**$58,658**	$50,450	**$24,154**	$21,263

*Data for the first three quarters of 1971 have been adjusted for the 3-for-2 Common Stock split effective January 31, 1972.

Beneficial Corporation

Beneficial Building, Wilmington, Delaware

Board of Directors

CECIL M. BENADOM
CHARLES W. BOWER
JAMES E. BURD
FREDA R. CASPERSEN
THOMAS W. CULLEN
LEON A. FULTS
J. THOMAS GURNEY
EDGAR T. HIGGINS
ARNOLD T. KOCH
THOMAS A. McGRATH
DeWITT J. PAUL
WILLIAM W. POTTER
MODIE J. SPIEGEL
ARTHUR C. SWANSON
WILLIAM E. THOMPSON
ROBERT A. TUCKER
CHARLES H. WATTS, II
RALPH B. WILLIAMS

Director Emeritus

LOUIS FRANKE

Executive Committee

EDGAR T. HIGGINS
Chairman
CECIL M. BENADOM
JAMES E. BURD
ROBERT A. TUCKER

Finance Committee

ROBERT A. TUCKER
Chairman
CECIL M. BENADOM
CHARLES W. BOWER

Officers

EDGAR T. HIGGINS
Chairman of the Board of Directors

CECIL M. BENADOM
President

ROBERT A. TUCKER
First Vice-President

CHARLES W. BOWER
Senior Vice-President and Treasurer

EDGAR D. BAUMGARTNER
Vice-President and Tax Counsel

JAMES E. BURD
Vice-President

WILLIAM A. GROSS
Vice-President

EDWIN M. STOKES
Vice-President and Secretary

RUSSELL W. WILLEY
Vice-President and Controller

CHARLES H. DONOVAN
Auditor

GLENN E. PATON
Assistant Secretary

HAROLD J. ROBINSON
Assistant Secretary

JOHN R. DORAN
Assistant Treasurer

ELMER H. REYNOLDS
Assistant Treasurer

ROBERT F. HAAG
Assistant Controller

Beneficial Management Corporation

BENEFICIAL MANAGEMENT CORPORATION, a wholly-owned subsidiary, furnishes, at cost, supervision, audit, accounting, and other services to most of the operating subsidiaries.

SINCE 1914

Executive Committee

CECIL M. BENADOM
Chairman
EDGAR T. HIGGINS
ROBERT A. TUCKER
WILLIAM W. POTTER
GEORGE R. EVANS
GORDON L. WADMOND

Officers

WILLIAM W. POTTER
President

GEORGE R. EVANS
Executive Vice-President

GORDON L. WADMOND
Executive Vice-President

JOHN BARYLICK, JR.
Senior Vice-President Business Development

RICHARD H. BATE
Senior Vice-President and Associate Counsel

JOSEPH E. CHAUVETTE
Vice-President and Controller

VERNON L. COLLINS
Vice-President Audit

JOHN L. DEAN
Senior Vice-President Planning and Research

EDWARD A. DUNBAR
Senior Vice-President Insurance

JOHN M. FARRELL
Senior Vice-President Public Relations

ROBERT P. FREEMAN
Senior Vice-President Personnel

LAWRENCE KELDER
Executive Assistant

JOHN L. KELLY
Vice-President and State Tax Counsel

ROBERT MALLOCK
Senior Vice-President Operating

DANIEL J. McCAFFREY
Senior Vice-President Operations

HELMUTH MILLER
Vice-President Analyst

CLIFFORD W. SNYDER
Vice-President Advertising

RICHARD A. WAGNER
Senior Vice-President Operating

JOHN C. WETZEL
Senior Vice-President Management Information Services

ROBERT C. WETZEL
Senior Vice-President Operating

JAMES D. WARREN
Assistant Vice-President, Secretary, and Associate Counsel

WILLIAM S. PRICKETT
Treasurer

KENNETH J. KIRCHER
Assistant Vice-President, Secretary to Executive and Management Committees, and Associate Counsel

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EDGAR T. HIGGINS
General Counsel

Principal Executives of other Subsidiary Companies

J. E. ALDRIDGE
Vice-President
West Coast Central Department

DAVID G. ALEXANDER
Vice-President
Canada East Department

LOUIS B. BALDWIN
Vice-President
Southern Department

PIERRE E. BASHE
Vice-President
California North Department

GEORGE B. BRUSH
Vice-President
New England Department

LEO R. CARON
Vice-President
Quebec Department

DEWEY O. CASSLER
Vice-President
Tri-State Department

ERNEST H. COLE
Vice-President
Southwest Department

PAUL CONAHAN
Vice-President
Beneficial Finance Co. of New York, Inc.

CHESTER L. COUGHENOUR
Vice-President
Gulf Coast Department

GEORGE R. EVANS
President
Beneficial Data Processing Corporation

JOSEPH H. GARDNER, JR.
Vice-President
Midsouth Department

GRANT H. GENSKE
Vice-President
Northwest Department

ROBERT W. KEHR
Vice-President
Midwest Department

WILLIAM W. POTTER
President
Beneficial Finance Co. of Canada

R. DONALD QUACKENBUSH
President
Guaranty Life Insurance Company of America

RUDOLPH G. SMATLAK
Vice-President
East Central Department

VERNON G. SMITH
President and Treasurer
Beneficial Finance Co. of New York, Inc.

JOSEPH A. STUBITS
Vice-President
Central Department

GORDON L. WADMOND
President
Beneficial Employment Services, Inc.

BEVAN G. WALKER
Vice-President, Secretary-Treasurer
Beneficial Finance Co. of Canada

WILLIAM G. WEISS
Vice-President
Eastern Department

ANTHONY K. WILHELM
Vice-President
Canada West Department

Western Auto Supply Company

WESTERN AUTO SUPPLY COMPANY, Kansas City, Missouri, a wholly-owned subsidiary, is a nationwide organization selling at retail and wholesale a wide variety of merchandise, primarily durable goods.

Officers

LEON A. FULTS
President

E. E. HACKETT
Vice-President

WILLIAM F. HOOTEN
Vice-President

LOUIS L. POPLINGER
Vice-President and Secretary

R. T. RENFRO
Vice-President

HARRY W. SCHLOSSER
Vice-President

THOMAS M. WARNE
Vice-President

CHARLES M. WILSON, JR.
Treasurer

K. L. BROWN
Vice-President and Controller

JOHN V. RICHESON
Assistant Secretary

RALPH L. WRIGHT
Assistant Secretary

HARRY L. ABBOTT
Assistant Treasurer

Regional Vice-Presidents

Northeast Region
ARTHUR CASCIARO
GERALD W. GARDNER
J. B. LARSEN

Southeast Region
WESLEY L. HARPER
C. R. HOBBS
J. CLEMAN WILSON

South Atlantic Region
DAVID E. JACKSON

Central Region
V. R. BROWN
JOSEPH F. BORNHEIMER
JOSEPH C. GRISSOM

Gulf Coast Region
EUGENE A. RENNER

Southwest Region
KEITH G. BRANDT
MAX H. TOOLEY

Western Region
N. C. BARRY
LOUIS H. KUNTZ

Spiegel, Inc.

SPIEGEL, INC., Chicago, Illinois, a wholly-owned subsidiary, is engaged in the sale of merchandise, primarily soft goods, principally by mail and order stores through catalogs.

Officers

JAMES E. BURD
Chairman of Board of Directors

EDWARD J. SPIEGEL
President

NATHAN N. BRAVERMAN
Executive Vice-President

WILLIAM E. COWAN
Executive Vice-President

ARTHUR A. POMPER
Executive Vice-President

ALBERT R. BELL
Vice-President and Secretary

JULIAN A. ALTMAN
Treasurer-Controller

NICHOLAS L. DENNIS
Vice-President

LEONARD A. GITTELSOHN
Vice-President

WILLIAM M. GIUNTOLI
Vice-President

CYRIL J. NIEMEC
Vice-President

PAUL A. STINNEFORD
Assistant Vice-President

HARRY J. GRANAT
Assistant Secretary

MEYER SHEINFELD
Assistant Secretary

CAROLINE M. BIGGS
Assistant Treasurer

MAURICE LAGNADO
Assistant Treasurer

CLASS OF STOCK	TRANSFER AGENT	REGISTRAR
COMMON	Irving Trust Company, N.Y.	Chemical Bank, N.Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago
5% CUMULATIVE PREFERRED	Irving Trust Company, N.Y.	Manufacturers Hanover Trust Company, N.Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$5.50 DIVIDEND CUMULATIVE CONVERTIBLE PREFERRED	Morgan Guaranty Trust Company of New York	First National City Bank, N.Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$4.50 DIVIDEND CUMULATIVE PREFERRED	Bankers Trust Company, N.Y.	The Chase Manhattan Bank, N.A., N.Y.
	Wilmington Trust Company Wilmington, Del.	Farmers Bank of the State of Delaware Wilmington, Del.
$4.30 DIVIDEND CUMULATIVE PREFERRED (CONVERTIBLE)	Manufacturers Hanover Trust Company, N.Y.	The Chase Manhattan Bank, N.A., N.Y.
	The First National Bank of Chicago	Continental Illinois National Bank and Trust Company of Chicago

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BENEFICIAL CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 28, 1972

The annual meeting of the stockholders of Beneficial Corporation, a Delaware corporation, will be held at 11 A.M. Eastern Standard Time on Friday, April 28, 1972, at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware, for the purpose of (1) electing directors of the Company, (2) considering and voting upon a proposal to amend Article IV of the Company's Restated Certificate of Incorporation to increase the number of shares of Common Stock, $1 par value, authorized to be issued from 30,000,000 to 60,000,000 and to increase accordingly the total number of shares of all classes of stock authorized to be issued from 33,422,987 to 63,422,987, (3) ratifying the action of the Board of Directors in selecting the firm of Haskins & Sells, Certified Public Accountants, as the independent auditors of the Company for 1972, and (4) transacting such other business as may properly be brought before the meeting.

Only shares of Common Stock, $4.30 Dividend Cumulative Preferred Stock (Convertible Prior to November 1, 1977) and $5.50 Dividend Cumulative Convertible Preferred Stock may be voted at the meeting. The close of business on March 9, 1972 has been set as the record date for the purpose of determining stockholders entitled to notice of and to vote at the meeting. Stockholders who cannot personally attend the meeting and who wish to have their stock voted are requested to complete and sign the accompanying proxy (proxies) and return it (them) as soon as possible. No postage is required if mailed in the United States, its territories and possessions, in the enclosed envelope.

A summary post-meeting report will be mailed to all stockholders.

EDWIN M. STOKES
Vice-President and Secretary

Dated: March 15, 1972

BENEFICIAL CORPORATION

ANNUAL MEETING OF STOCKHOLDERS

April 28, 1972

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by management for use at the annual meeting of stockholders of the Company to be held on April 28, 1972. The shares represented by each such proxy will be voted at the meeting in accordance with the specifications made thereon by the stockholder. The person giving a proxy has the power to revoke it any time before it has been voted.

VOTING SECURITIES

The close of business on March 9, 1972 has been set as the record date for the purpose of determining stockholders entitled to vote at the meeting. Each share of Common Stock and $4.30 Dividend Cumulative Preferred Stock (Convertible Prior to November 1, 1977) is entitled to one vote, and each share of $5.50 Dividend Cumulative Convertible Preferred Stock is entitled to four and one-half votes. All of such classes will vote as a single class.

On February 29, 1972 the number of securities outstanding and entitled to vote were 18,124,459 shares of Common Stock, 926,895 shares of $4.30 Dividend Cumulative Preferred Stock (Convertible Prior to November 1, 1977) and 903,899 shares of $5.50 Dividend Cumulative Convertible Preferred Stock. The aggregate number of votes entitled to be cast at the meeting as of February 29, 1972, with all of such classes voting as a single class, is 23,118,899. Conversions between February 29, 1972 and the record date of $4.30 Preferred Stock, each share of which is convertible into 2.1 shares of Common Stock, and of Spiegel, Inc. 4½% Subordinated Debentures due 1990, each $1,000 principal amount of which is convertible into 7.246 shares of $4.30 Preferred Stock and 14.492 shares of Common Stock, will not cause a substantial change in the aggregate number of votes entitled to be cast at the meeting.

ELECTION OF DIRECTORS

It is intended that votes will be cast pursuant to the accompanying proxy for the election of a Board of Directors of seventeen consisting of the persons named below, all of whom are presently directors, for terms of one year and until their successors are elected. Each nominee, except Mr. Fults, was elected as a director at the Company's 1971 Annual Meeting of stockholders. Mr. Fults was elected to the Board of Directors of the Company on November 30, 1971, filling a then existing vacancy. His principal employment during the last five years was with Western Auto Supply Company as President and, prior to his election to such office effective December 11, 1969, as a Vice President. Each nominee has expressed his willingness to serve as a director during the coming year. The proxy may be voted for the election of other persons as directors in case any of those named below are unable to serve for any reason. The names of the nominees for director, together with certain information regarding them, are as follows:

Name of Director and Principal Occupation	Year Elected a Director	Equity Securities of the Company and Subsidiaries Beneficially Owned on February 1, 1972: Common Shares	$5.50 Dividend Cumulative Convertible Preferred Shares	5% Cumulative Preferred Shares	Peoples Bank and Trust Company Common Shares	Florida Properties Inc. Common Shares
Cecil M. Benadom................. President; Member of Executive and Finance Committees of the Company; President of Beneficial Management Corporation, a subsidiary	1965	470	24	29	100	22
Charles W. Bower................. Senior Vice-President and Treasurer; Member of Finance Committee of the Company	1969	750	251	—	134	85
James E. Burd(1)................. Vice-President and Member of Executive Committee of the Company; elected Chairman of Board of Directors of Spiegel, Inc., a subsidiary, effective February 1, 1972; formerly, Vice-Chairman of such Board	1969	151	—	—	—	—
Thomas W. Cullen................. Retired; Member of Compensation Committee of the Company	1960	908	800	—	334	124
Leon A. Fults.................... President of Western Auto Supply Company	1971	150	—	—	—	—
J. Thomas Gurney................. Attorney at Law, Gurney, Gurney & Handley, Orlando, Florida	1959	363	28	—	—	—
Edgar T. Higgins................. Chairman of Board of Directors and of Executive Committee of the Company; General Counsel of Beneficial Management Corporation, a subsidiary	1965	1,082	283	40	—	10
Arnold T. Koch................... Attorney at Law, Wormser, Koch, Kiely & Alessandroni, New York, N. Y.; Member of Compensation Committee of the Company	1961	330	30	—	—	—
Thomas A. McGrath(2)............ Retired; Member of Compensation Committee of the Company	1959	1,182	117	—	—	8
C. Emmerich Mears .... Retired; Chairman of Compensation Committee of the Company	1948	13,613	6,300	420	100	700
DeWitt J. Paul(2) .... Retired; Consultant to Company through December 31, 1971	1959	2,289	1,065	74	82	37

Name of Director and Principal Occupation	Year Elected a Director	Equity Securities of the Company and Subsidiaries Beneficially Owned on February 1, 1972 — Common Shares	$5.50 Dividend Cumulative Convertible Preferred Shares	5% Cumulative Preferred Shares	Peoples Bank and Trust Company Common Shares	Florida Properties Inc. Common Shares
Modie J. Spiegel(1)............... Retired; Chairman of Board of Directors of Spiegel, Inc., a subsidiary, until February 1, 1972	1965	742	—	—	—	—
Arthur C. Swanson(2)............. Retired; Chairman of Board of Directors of Western Auto Supply Company, a subsidiary, until December 31, 1971	1962	13,900	—	—	—	—
William E. Thompson(2)........... Retired	1954	2,145	137	22	83	4
Robert A. Tucker.................. First Vice-President and Member of Executive Committee and Chairman of Finance Committee of the Company	1959	10,175	23,474	53	250	1,192
Charles H. Watts, II............... President of Bucknell University, Lewisburg, Pennsylvania; Member of Compensation Committee of the Company	1959	29,917	33,139	1,333	—	2,035
Ralph B. Williams................. Retired	1967	150	897	—	500	529

(1) Mr. Burd also owned 5,237 shares, and Mr. Spiegel, 16,522 shares, of the Company's $4.30 Dividend Cumulative Preferred Stock (Convertible Prior to November 1, 1977).

(2) Reference is made to Note 6 on page 6 for information as to shares of Common Stock to which Messrs. McGrath, Paul, Swanson and Thompson became entitled upon retirement under the Company's Incentive Compensation Plan.

In addition, as of the same date, members of the families of the nominees named below owned equity securities of the Company and its subsidiaries, as follows: Common Stock of the Company—Mr. Bower (164 shares), Mr. Higgins (572 shares), Mr. McGrath (786 shares), Mr. Paul (3 shares), Mr. Thompson (6,596 shares), Mr. Tucker (6,380 shares) and Mr. Watts (650 shares); $5.50 Dividend Cumulative Convertible Preferred Stock of the Company—Mr. Benadom (84 shares), Mr. Bower (14 shares), Mr. Cullen (1,440 shares), Mr. Higgins (284 shares), Mr. McGrath (425 shares), Mr. Paul (29 shares), Mr. Thompson (91 shares), Mr. Tucker (10,776 shares), Mr. Watts (477 shares) and Mr. Williams (1,114 shares); 5% Cumulative Preferred Stock of the Company—Mr. Higgins (14 shares), Mr. McGrath (6 shares) and Mr. Thompson (213 shares); $4.50 Dividend Cumulative Preferred Stock of the Company—Mr. Tucker (36 shares); Common Stock of Peoples Bank and Trust Company—Mr. Bower (34 shares), Mr. Paul (2 shares) and Mr. Williams (500 shares); Common Stock of Florida Properties Inc.—Mr. Cullen (195 shares), Mr. Higgins (9 shares), Mr. McGrath (47 shares), Mr. Thompson (3 shares), Mr. Watts (4 shares) and Mr. Williams (625 shares). Nothing in this paragraph should be construed as an admission by any nominee of beneficial ownership of any such shares.

On February 1, 1972, the Hodson Trust owned beneficially 243,131 shares of the Company's $5.50 Dividend Cumulative Convertible Preferred Stock, or approximately 26.8% of such class. On the same date the Hodson Trust also owned 94,173 shares of the Company's Common Stock and 9,038 shares of its 5% Cumulative Preferred Stock. The Hodson Trust is an associate (as that term is defined in Rule 14a-1 of the General Rules and Regulations under the Securities Exchange Act of 1934) of the following nominees: Messrs. Cullen, McGrath, Paul, Tucker, Benadom and Higgins, all of whom are trustees of such Trust. On the same date, the Beneficial Corporation and Subsidiaries Employees' Retirement Plan, an associate of Mr. Tucker, who is a trustee, owned beneficially 18,442 shares of the Company's Common Stock, 57,942 shares of its $5.50 Dividend Cumulative Convertible Preferred Stock and 21,969 shares of its 5% Cumulative Preferred Stock. On February 1, 1972 other associates of such nominees owned beneficially securities of the Company and its subsidiaries as follows: Common Stock of the Company—46,753 shares; $5.50 Dividend Cumulative Convertible Preferred Stock of the Company—60,284 shares; 5% Cumulative Preferred Stock of the Company—2,032 shares; $4.50 Dividend Cumulative Preferred Stock of the Company—36 shares; Common Stock of Peoples Bank and Trust Company—2 shares; and Common Stock of Florida Properties Inc.—1,948 shares. The foregoing amounts include all shares of the respective classes shown in the preceding paragraph as being owned by members of the families of such nominees.

The table which follows sets forth (a) the aggregate direct remuneration paid in 1971 by the Company and its subsidiaries to each director, and each of the three highest paid officers, of the Company whose aggregate remuneration exceeded $30,000, for services in the capacities shown in the list of nominees for directors above, and to all directors and officers as a group, (b) estimated annual retirement benefits and (c) the aggregate awards under the Incentive Compensation Plan (described below) at December 31, 1971 adjusted to reflect the three-for-two Common Stock split effective January 31, 1972:

Name of Individual or Number of Persons in Group	Aggregate Direct Remuneration	Estimated Annual Retirement Benefit	Aggregate Awards at December 31, 1971	
			Plan A Units	Plan B Units
Cecil M. Benadom	$ 212,600	$61,825(1)	2,370	16,885
Charles W. Bower	59,600	27,325(1)	520	1,464
James E. Burd	112,860	(2)	—	—
Leon A. Fults	77,200(3)	(3)	—	25
Edgar T. Higgins	186,100	42,125(1)	1,963	12,262
DeWitt J. Paul	30,500	—	(5)	(6)
Modie J. Spiegel	125,600	(2)	—	—
Arthur C. Swanson	130,300	(4)	—	(6)
Robert A. Tucker	164,100	52,575(1)	321	8,398
30 directors and officers as a group	1,493,400	—	5,358(5)	40,464(6)

(1) Assumes retirement at a date no earlier than the end of the calendar year in which age 65 is attained. Benefits are to be reduced by one-half of annual Social Security benefits, and will or may be further reduced due to certain options which have been exercised. All or a portion of the actuarial value of the balance may be paid as a lump sum or over a five-year period, and the annual retirement benefits will be eliminated or reduced accordingly.

(2) Under its Savings and Profit Sharing Plan, Spiegel, Inc. contributed $6,094 to such Plan for 1971 applicable to Mr. Burd and the aggregate Spiegel, Inc. contributions applicable to him, inclusive of such amount, for all years through 1971 amount to $134,082. Mr. Spiegel, who retired on February 1, 1972, elected to terminate his participation under the Plan as of December 10, 1971. He received

from the Plan his entire interest of $456,606, consisting of $93,906 contributed by him, $191,464 contributed by Spiegel, Inc. over a period of 16 years, $160,422 from income and appreciation and $10,814 from reallocation of forfeitures.

(3) Mr. Fults was elected a director on November 30, 1971. His aggregate remuneration is for all of 1971. Under its Profit Sharing Plan, Western Auto Supply Company contributed $6,074 to such Plan for 1971 applicable to Mr. Fults and the aggregate Western Auto contributions applicable to him, inclusive of such amount, for all years through 1971 amount to $52,636.

(4) At the time of Mr. Swanson's retirement on December 31, 1971, he was entitled to an annual retirement benefit of $16,488. He was also entitled to receive $154,104 from the Western Auto Supply Company Profit Sharing Plan; substantially all of this amount was distributed to him in the form of 3,422 shares of Common Stock of Beneficial Corporation. An agreement made in 1961 between Mr. Swanson and Western Auto provides for additional payments of $1,500 per month to Mr. Swanson for ten years following his retirement. Mr. Swanson is acting as consultant to Western Auto during the year 1972 for a fee of $20,000.

(5) At December 31, 1971, three directors who have retired as officers of the Company are entitled to receive cash attributable to Plan A Units not included in the table which were awarded under the provisions of the Incentive Compensation Plan prior to retirement as follows: Thomas A. McGrath ($47,688); DeWitt J. Paul ($70,116); and William E. Thompson ($18,257). The sums paid in 1971 attributable to Plan A Units were $8,532 for Mr. McGrath, $11,529 for Mr. Paul and $4,678 for Mr. Thompson.

(6) At December 31, 1971, four directors who have retired as officers of the Company or a subsidiary are entitled to receive shares of Common Stock (or cash equivalent as described below) and cash attributable to Plan B Units not included in the table which were awarded under the provisions of the Incentive Compensation Plan prior to retirement as follows: Thomas A. McGrath (11,382 shares and $54,039); DeWitt J. Paul (21,643 shares and $137,711); Arthur C. Swanson (7,177 shares and $31,092); and William E. Thompson (2,122 shares and $8,627). They have waived their rights to receive the shares of Common Stock under the Incentive Compensation Plan and elected to receive cash in lieu thereof on the regularly scheduled payment dates, the amount of cash to be received on each such payment date being equal to the then value of the shares which otherwise would have been received on such payment date. No shares were issued under the Incentive Compensation Plan to any of these directors in 1971. The sums paid in 1971 attributable to Plan B Units were $80,348 for Mr. McGrath, $144,718 for Mr. Paul and $21,953 for Mr. Thompson. Payments to Mr. Swanson had not commenced in 1971.

The Company has an Incentive Compensation Plan which provides for the granting of in-service annual awards to certain officers and key employees of the Company and its subsidiaries who are to be selected each year by the Compensation Committee of the Board of Directors. No member of the Compensation Committee is eligible for any award for any period during which he served as a member of the Committee. Awards are payable in equal quarter-annual installments over a ten-year period following termination of employment. During such period, interest is payable on cash balances and dividend equivalents are payable on shares not yet delivered.

Two types of awards, Plan A Units and Plan B Units, may be granted under the Plan. Plan A Units were awarded only in 1957. Each Plan A Unit entitles a participant to an amount in cash equal to the excess, if any, of the market value at the time of severance of employment of one share of the Company's Common Stock (including adjustments for stock dividends, etc.) over 95% of the fair market value of such share determined as of the date the Unit was awarded ($9.18 per share (adjusted) as of December 2, 1957).

Plan B Units were awarded in 1957 and all subsequent years until 1971, when no such awards were made. Each Plan B Unit entitles a participant at retirement to one share of the Company's Common Stock and a sum, payable in cash, equal to the amount of dividends paid per share on outstanding shares

of Common Stock from the time of the award to termination of employment. The market value of a share of Common Stock at the time of realization (including adjustments for stock dividends, etc.) may be more or less than the market value at the time of the awards.

The maximum number of Units which may be outstanding under the Plan presently is 465,093 Plan A Units and 279,055 Plan B Units. Upon severance of any participant from employment, any Units awarded to him are no longer considered outstanding and an equivalent number of Units may be awarded to others. At December 31, 1971 there were 19,323 Plan A Units and 106,363 Plan B Units outstanding.

During 1971, two nominees, Mr. Paul and Mr. Tucker, had loans outstanding with Peoples Bank and Trust Company, a subsidiary of the Company. The largest aggregate balance of these loans was $20,000 in the case of Mr. Paul and $75,000 in the case of Mr. Tucker. These loans were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those loans prevailing at the time for comparable transactions with other persons, and did not involve more than normal risk of collectibility or present other unfavorable features. As of February 7, 1972 the amounts of Mr. Paul's and Mr. Tucker's loans remaining outstanding were $4,000 and $75,000, respectively.

AMENDMENT OF RESTATED CERTIFICATE OF INCORPORATION

At a meeting held on February 28, 1972 the Board of Directors declared it advisable to amend Article IV of the Company's Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock, $1 par value, from 30,000,000 shares to 60,000,000 shares and to increase accordingly the total number of shares of all classes of authorized stock, of which 3,422,987 are shares of various classes of preferred stock, from 33,422,987 shares to 63,422,987 shares.

As of February 1, 1972, after giving effect to the three-for-two Common Stock split, the number of shares of Common Stock unissued was 7,119,066, of which 6,290,164 shares were reserved for conversions. Of the shares of Common Stock issued, 4,676,488 shares were held in the Company's treasury and 93,000 shares were held by a subsidiary.

The Board of Directors believes it desirable that the number of authorized shares of Common Stock be increased as proposed to provide for possible future acquisitions or for other corporate purposes. The Company has no commitments or specific plans which would require the use of shares of Common Stock in excess of those now authorized. No stockholder has any preemptive rights to subscribe for or to purchase any shares of Common Stock, and if the proposal to increase the authorized number of shares of Common Stock is approved, such additional shares may be issued at such times and on such terms as the Board of Directors may see fit, without further action by the stockholders.

An affirmative vote of holders of the stock of the Company having a majority of the voting power will be required for the adoption of the proposed amendment. It is intended that, unless otherwise specified on the accompanying proxy, votes will be cast pursuant to the proxy for the adoption of the proposed amendment. If the proposed amendment is adopted, it is anticipated that it will be made effective on or about May 1, 1972.

SELECTION OF AUDITORS

The Board of Directors has, subject to stockholder approval, selected the firm of Haskins & Sells, Certified Public Accountants, as the independent auditors of the Company for 1972 and it is intended

that, unless otherwise specified on the accompanying proxy, votes will be cast pursuant to the proxy for the ratification of such action.

OTHER BUSINESS

The management does not know of any matters to come before the meeting other than those referred to in the Notice of the meeting. If any other matters should come before the meeting, the accompanying proxy will be voted on such other matters in accordance with the judgment of the person or persons voting the proxy.

COST OF SOLICITATION OF PROXIES

The cost of soliciting proxies will be borne by the Company. Solicitation of proxies from some stockholders of the Company may be made by personal interview, mail, telephone or telegram by the directors, officers and regular employees of the Company or subsidiaries. The Company also may request brokerage houses, custodians, nominees and fiduciaries to forward the proxy material to the beneficial owners of the stock held of record by such persons.

By order of the Board of Directors,

EDWIN M. STOKES
Vice-President and Secretary

March 15, 1972